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COMMUNITY MENTAL HEALTH CENTERS AND THE PROBLEMS
OF SELF-SUFFICIENCY: AN APPLICATION OF THEORIES
OF ORGANIZATIONAL ADAPTATION TO THE ENVIRONMENT

A Dissertation Presented

By

JOSEPH P. GABBERT

Submitted to the Graduate School of the
University of Massachusetts in partial fulfillment
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

February 1981

Psychology Department



Joseph P. Gabbert 1981
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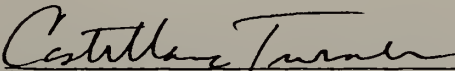
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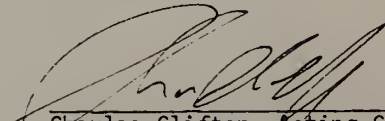
Approved as to style and content by:


David Todd, Ph.D., Chairperson of Committee


Joseph Litterer, Ph.D., Member of Committee


Penny Monsein-Rhodes, Ed.D., Member of Committee


Castellano Turner, Ph.D., Member of Committee


Charles Clifton, Acting Chairperson
Psychology Department

This dissertation is dedicated
to my parents,
whose continued love and support
have made it possible.
I only hope this achievement
makes them as proud of me
as I am proud to be their son.

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ABSTRACT

Community Mental Health Centers and the Problems
of Self-Sufficiency: An Application of Theories
of Organizational Adaptation to the Environment
(February 1981)

Joseph P. Gabbert, B.A., Purdue University

M.S., University of Massachusetts, Ph.D., University of Massachusetts

Directed by: Professor David M. Todd

The Community Mental Health Centers (CMHCs) Program was established in the early 1960's as a major innovation in mental health care. The program has developed over the years, but has been jeopardized recently by problems in the CMHC seed-funding concept. Many centers have difficulty surviving financially and protecting the CMHC ideology when they lose their initial federal funds.

This project explores these problems in CMHCs, and provides assistance to CMHC directors. First of all, a conceptual framework is developed to help center directors orient their survival efforts over time. Principles are drawn from the management literature on organizational adaptation to the environment, and are developed into a management orientation for CMHCs. Secondly, the project provides examples of successful survival strategies falling within this orientation that center directors can apply in their own situations. These examples are drawn from the experiences of four outstanding CMHCs in New England.

Intensive case studies (including interviews and reviews of agency data) are used to explore CMHC survival techniques and the usefulness of principles adapted from the management literature. Although the study is limited in scope, it does clarify and enrich the conceptual framework developed here, and it provides initial validation of its usefulness in the field.

The study confirms that there are major limitations on CMHCs' survival capabilities, but nevertheless, there are strategies that center directors can use which may improve their agencies' positions. It appears that a key to success involves the CMHC becoming proactive in relation to its external environment. Mechanisms are needed to scan the environment for opportunities and threats, and understand the complex interdependencies that affect resource acquisition and organizational performance. Long-range contingency plans based on CMHC priorities and environmental realities should be developed to guide the organization on as self-directed a course as possible. Short-range opportunities and crises should be managed within the context of such long-range plans. Over time, the organization should develop organizational structures and processes that are adaptive to its evolving situation. It is suggested that center directors develop skills in organization design, financial management, and group development to help in this regard. In addition, center directors should use a variety of long-range adaptive strategies found in the management literature. The most important ones identified here include the use of buffering (e.g. diversification), marketing, ad-

vertising, coalition-building, boards of directors, and lobbying. It is argued that such efforts should be geared to the developmental needs of the CMHC at various points in its funding cycle. A developmental model, based on the experiences of the centers in this study, is presented for assistance.

The report concludes with suggestions for center directors, policy makers, and organizational theorists. It is recommended that center directors receive training and consultation in the management areas discussed above. Research is needed to explore the limitations of CMHCs' survival capabilities given current environmental constraints, and to examine further the usefulness of the management techniques discussed in this initial project. Recommendations are made for policy development that will stabilize CMHC's and increase the flexibility of their funding arrangements. Finally, it is requested that organizational theorists explore further the subtle aspects of adaptation in CMHCs, and incorporate more of a developmental perspective in their work.

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INTRODUCTION

In 1963, President Kennedy signed the Community Mental Health Centers Act, landmark legislation that called for the creation of a national system of comprehensive mental health care. Since then, the legislation has been amended several times, but the basics of the national plan remain. Under the system, local communities in partnership with the state receive federal funds to develop community mental health centers (CMHC's). CMHC's offer a wide range of services to all ages and socioeconomic groups as an alternative and deterrent to institutional care. They are intended to be innovative organizations, adaptable to the varying needs and resources of their community. The bulk of CMHC resources are provided under a federal "seed-funding" program. As the federal money is gradually phased out, CMHC's are expected to become increasingly self-sufficient, relying on income from a variety of other sources (e.g., state and local money, third-party payments, and client fees).

Over the years a number of CMHC's have been created, and many are graduating into self-sufficiency. As of late 1979, over 400 federally funded CMHC's have completed their initial funding cycle. While the federal program has expanded rapidly and achieved significant national status, individual centers often experience considerable difficulty. Organizationally they are complex, providing a vast array of services, usually through a highly decentralized structure. Their external environment of funding sources, regulatory bodies, and community groups is

exceedingly complex, uncertain, and challenging (Baker, 1972; Schulberg & Baker, 1970). Adapting to and surviving in such an environment is often quite difficult. Several recent articles have outlined the problems of centers achieving self-sufficiency (Naierman et al., 1978; Beigel, 1977; Morrison, 1977; Silber, 1974; Sharfstein, 1978; Silber & Burton, 1971; Whittington, 1975). The problem received national attention recently when an award-winning center of the early 1970's went bankrupt (Herbert, 1978). Even if centers manage to survive the loss of federal funds, there is evidence that services and the community mental health ideology are compromised in the shift to other resources (Landesberg & Hammer, 1977; Naierman et al., 1978).

The difficulty of centers achieving self-sufficiency is usually exacerbated by poor leadership. Mental health administrators are notoriously untrained and inexperienced in management, having usually been promoted from the ranks of clinicians. While some of the essential skills are the same, the tasks to be performed in managing a large organization are quite different from clinical work, and demand a special expertise (Feldman, 1972; Mehr, 1973). As centers continue to graduate from federal funding and struggle to survive, administrators will increasingly need technical assistance in this area. Recent articles by Sharfstein and Wolfe (1978) and Mazade (1978), all leaders in the federal program, have stressed the need for creative management approaches to deal with the complex environmental problems of CMHC's. Unfortunately, very little has been written in the mental health/human services literature that is useful.

Scanning the fields of management and organization theory for help,

one finds a developing body of literature on organizational adaptation to the environment. Through examination of business organizations for the most part, writers in this area have explored the various ways managers keep pace with rapidly changing conditions in their external environments (including other organizations, regulating bodies, personnel pools, and market segments). Theoretically, the organization is viewed in interaction with its environment, responding to changing demands and opportunities, and actively trying to improve external conditions so as to improve its functioning and survival capabilities. Beginning research has explored the adaptive strategies and mechanisms used by organizations to improve their situations, as well as models for the general adaptation process. Work in the area is generally traced to the early efforts of organizational theorists Chandler (1962) and March and Simon (1958), and systems theorists such as Bertalanffy (e.g., 1968). Contributing efforts have come from the areas of organizational ecology (e.g., Aldrich & Pfeffer, 1976; Hannon & Freeman, 1977), organizational growth (e.g., Haire, 1959; Starbuck, 1965), organizational learning (e.g. Cangelosi & Dill, 1965), organizational cybernetics (e.g., Ashby, 1960), environmental uncertainty (e.g., Duncan, 1972), and the work of Lawrence and Lorsch (e.g., 1969). The most complete work to date has been done by Miles and Snow (1978) and Pfeffer and Salanick (1978).

While the literature on organizational adaptation to the environment is based primarily on work with business organizations, much of it is useful in approaching the problems of CMHC survival. This project is an attempt to explore the relevant literature in this area and apply it to the problems CMHC's have when they graduate into self-sufficiency.

The first chapter contains a brief overview of the development of CMHC's and the problem of survival. The historical perspective gained here is invaluable for understanding the present-day constraints on CMHC's.

This chapter is followed by a review of the relevant management literature on organizational adaptation. A model of adaptation is presented and suggestions are made for executives in the field to improve their organizations' survival positions. The third chapter takes this work and applies it to the problems of CMHC's. A theoretical approach is suggested which center directors can use to help manage their organizations toward successful self-sufficiency in line with the ideals of the CMHC philosophy. The remaining chapters discuss an exploratory study which was conducted to build on this conceptual approach and provide examples of successful survival strategies to center directors in the field. The study explores how a sample of outstanding centers in New England have attempted to engineer their survival and adhere to the basics of the CMHC philosophy after their initial federal funding is exhausted. While the research is limited in scope, it does clarify and enrich the management approach developed here, and generates questions for future research on CMHC adaptation. The project concludes with a discussion of the implications of this work for center directors in the field, NIMH officials who work with CMHC's, and organizational theorists studying organizational adaptation. Training and other technical assistance alternatives are discussed, as are suggestions for future research.

The work which follows is intended primarily for CMHC and other human service administrators. It is hoped they will be able to make use

of the conceptual approach and strategy options discussed. Human service administration is a young field in need of much work, and few writings in the area are based on solid, up-to-date management theory. This project is intended to have a firm base in the rapidly growing management area of organizational adaptation. The project should benefit those with theoretical interests as well, since the area of organizational adaptation is also in need of work. As evidenced by the review of Darran, Miles, and Snow (1975), more work is needed to explore the process of adaptation in a variety of organizations. Very little of this nature has been done in human services, and CMHC's are excellent organizations to study. They are similar in overall purpose, design, and external boundary issues, and have developed during the same time period. They have also had much freedom to adapt uniquely to the forces of their particular environment, and thus contain some diversity of style and operation.

CHAPTER I

COMMUNITY MENTAL HEALTH CENTERS AND THE PROBLEMS OF SELF-SUFFICIENCY

The following is a brief overview of the development of community mental health centers and a discussion of the problems of self-sufficiency facing them today. Several individuals have discussed the history and development of community mental health centers (CMHCs). Those with particular interest are encouraged to read further for a more complete picture than will be presented here.

A good beginning is the collection of articles assembled by Harvey H. Barten and Leopold Bellak in their three editions of Progress in Community Mental Health (Barten & Bellak, 1972; Bellak & Barten, 1971, 1975). A variety of perspectives and issues are discussed, giving the reader a fairly complete picture of the emerging national program. Other useful overviews include the works of Allan Beigel (1970a, 1970b) and Beigel and Levinson (1972), Raymond Glasscote (1975), Lucy Ozarin et al. (1971), M. Brewster Smith and Nicholas Hobbs (1966), and Stanley Yolles (1966, 1970).

Henry Foley, an active participant in the development of CMHC's, provides a fascinating picture of the "behind the scenes" political activity which made the CMHC legislation possible in his book Community Mental Health Legislation: The Formative Process (1975). His work is one of the few which shows how and why the CMHC movement developed as it did, and what political compromises made the program a reality. A use-

ful complement to Foley's work is The Madness Establishment by Franklin Chu and Sharland Trotter (1974), members of the Ralph Nader organization. They also provide insight into the political process of CMHC development, but take a more critical approach. Together, these books provide an invaluable perspective on the political-legislative issues which continue to affect CMHC's.

Early development. While the roots of community-based treatment in this country can be traced to at least the 1920's, most look to the 1950's as the true beginning of the community mental health movement. By the mid-1950's, institutional care was increasingly under attack. State mental hospitals had grown to massive proportions, and many questioned the quality of care they provided. In 1955, Congress called for the creation of the Joint Commission on Mental Illness and Health to look into the matter (Mental Health Study Act, Public Law 182, July 28, 1955). Their report, published in 1961 as Action for Mental Health, was greeted as a landmark volume, and provided the impetus for enactment of the initial CMHC legislation in 1963.

Action for Mental Health argued for the phasing-out of state mental hospitals and the development of more accessible alternatives for the treatment and prevention of mental illness. The report called for increased numbers of outpatient services based in the local community, more research and manpower, further development of general hospital psychiatry (to develop shorter-term hospitalization), and increased work on the prevention of mental illness. Pointing out the inadequacies of state operations and funding, the authors requested increased federal

involvement in the delivery of mental health services. This was significant action in that mental health care had been previously a state responsibility. Prior federal involvement had been mainly for manpower development and research, with service support limited to pilot and demonstration programs.

Early in his administration, President Kennedy assembled an Inter-agency Task Force on Mental Health and Illness to examine the Joint Commission's report and develop a "bold new approach" to mental health care. Through much hard work and a series of compromises, the Community Mental Health Center Act was passed in 1963 (Title II of Public Law 88-164, October 31, 1963), and the national program was born. The initial legislation provided federal funds for the construction of CMHC's. In 1965, the legislation was amended to provide grants to help local communities with the initial costs of staffing.

The federal grants were to be used as "seed-funding" by local communities. Construction grants were available for one year, and staffing grants were available for 51 months. The staffing money provided a maximum of 75 percent of the center's costs initially, phased down over the grant's duration to 30 percent. Upon expiration of the federal money, centers were expected to become self-sufficient, acquiring funds from a variety of sources. Those anticipated included state and local funds, private insurance, Medicare and Medicaid, national health insurance, and client fees.

Unfortunately, the anticipated sources of revenue were uncertain. State funds were tied up for the most part in the hospital systems, and local funds were virtually non-existent. Third-party payments were very

limited for mental health care at the time, and would have to be liberalized considerably to cover the operating costs of centers. It was hoped that the national program would stimulate interest in mental health issues, however, and lead to greater funding possibilities. Also, if centers did their jobs, the state hospital census would decline, leading to a flow of money and personnel into the community.

According to Foley (1975), the high uncertainty of such funding was recognized by the program's designers who felt that continued federal support would probably be necessary to maintain centers. However, funding direct services had been a state responsibility in the past, and many were against the federal government becoming too involved. It was feared that proposing ongoing federal support would prohibit passage of any legislation. The seed-funding approach seemed to be a good compromise in that it allowed at least some federal involvement, and paved the way for future legislative action if necessary. Once begun, no one expected Congress to abandon CMHC's if they ran into trouble.

In spite of apparent weaknesses in the seed-funding concept, enthusiasm for the program was high, and several states sought federal money to add to their resources. Money appropriated to states was contingent on the development of a state plan outlining policy and procedures for implementing and maintaining CMHC's statewide. Once the state plan was approved, local communities who were in compliance could request construction and staffing grants from NIMH (the federal agency given responsibility for implementing and monitoring the program). The resulting arrangement was designed to be a partnership among federal, state, and local representatives. Through federal initiative and monitoring,

and with help from the state, local communities were stimulated to develop CMHC programs tailored to their needs. Over time, the state and local community would pick up the initiative to maintain and improve upon the services created with federal help.

Basic concepts. In order to qualify for federal funds, communities were required to develop programs based on certain principles central to the community mental health ideology. These included the following major areas: 1) comprehensive services, 2) continuity of care and coordination of services, 3) service to those most in need, 4) prevention, 5) localization and community involvement, 6) innovation and flexibility, 7) research and evaluation, and 8) training.

1. Comprehensive services. Centers were initially required to provide at least five essential services to all clients regardless of their ability to pay. These included: 1) inpatient care for people needing intensive treatment around the clock, 2) outpatient care for adults, children, and families, 3) partial hospitalization including daycare for individuals who can go home at night, or night care for those who can work, yet need a structured living situation, 4) emergency care 24 hours a day, seven days a week, and 5) consultation and education to the community and professional personnel. The first four services included direct care to clients with an emphasis on short-term, community-based treatment to prevent long-term hospitalization. The last included indirect service and educational activity, designed to increase the skills of other caregivers, and reach people before serious problems developed.

Five additional services were recommended for centers interested in becoming truly "comprehensive." These included: 1) diagnostic service, 2) rehabilitation care (social and vocational rehabilitation), 3) pre-care and aftercare including screening of clients prior to state hospital admission, and case management and half-way houses after hospitalization, 4) training, and 5) research and evaluation. The additional services completed a comprehensive package designed to improve the variety and quality of care available to those in need, regardless of age, sex, socioeconomic class or ability to pay.

2. Continuity of care and coordination of services. An important part of the CMHC movement was an emphasis on "client-based" care. Clients with multiple needs were to have them met throughout the treatment process in a smooth, efficient manner. Within the center, provisions were to be made to easily transfer clients from one service to another with as much continuity as possible in treatment personnel. Services within the center were also to be coordinated with other human service and medical personnel to insure that non-mental health needs were also met. Historically, there had been many barriers among community caregivers, leading to large gaps in service responsibility. Agencies working with similar or common clients were often ignorant of each other's programs or were working at cross purposes. CMHC's were to reduce these barriers and the ensuing confusion for clients. They were to become a "hub" for the delivery services to the mentally ill, and an active participant in the community's human service system. Consultation to and joint programming with other related services was strongly encouraged.

3. Service to those most in need. In the early 1960's, it was

recognized that many individuals in great need of services did not receive them. These included people, usually from the lower class or minority groups, who were too poor to afford treatment, were reluctant to attend traditional mental health settings, or were "unpopular" and unwanted, and thus easily fell in the gaps between service agencies. A major goal of the CMHC movement was to develop services to reach these groups. CMHC's were required to provide services to all who requested them regardless of ability to pay. Furthermore, centers were encouraged to seek out those most in need of service and develop treatment approaches to reach them. In order to reduce cultural barriers, it was suggested that centers hire minority staff, and use paraprofessionals indigenous to the community.

4. Prevention. Central to the community mental health notion was the goal of prevention, a concept borrowed from the public health field. CMHC's were to provide services preventing mental illness in all its debilitating forms. Such services were usually classified into three groups, those aimed at primary prevention, secondary prevention, or tertiary prevention (Cowen, 1973). Primary prevention was prevention in its purest form. It included educational and other activities directed to people who were not yet having difficulties. Programs were stressed which dealt with "high risk" populations, and children and families. Consultation to schools, the police, and other caregivers who often see high risk individuals was also emphasized. Secondary prevention included work with individuals who were just beginning to experience problems. By providing short-term, intensive treatment early in the onset of a disorder, it was hoped that people's coping skills could be

strengthened, thus preventing future difficulties and need for treatment. The center's emergency service was a cornerstone of intervention in this area. Tertiary prevention was directed to individuals already in trouble, including the chronically hospitalized. Centers would provide them a variety of community-based services so as to prevent future illness and possible hospitalizations.

5. Localization and community involvement. The state hospital system of the 1950's was known for its isolation and impersonal character. Historically, society had wanted its mentally ill out of sight and mind, until, if lucky, they were returned to normal functioning. Community mental health ideology attacked this notion, and proposed a new strategy for dealing with mental problems. People were to be kept in the community where others who were a part of their lives could stay involved, whether they wanted to or not. Mental illness was different from physical illness in that social factors were seen to play an important part in its cause and treatment. The individual was embedded in a social system of family, friends, fellow workers, etc. that could serve as an important curative source of support during times of stress. Removal from one's support system was often seen to increase stress, exacerbate interpersonal difficulties and prolong recovery.

It was also recognized that communities varied widely in their composition and character. Services were needed which conformed to the specific nature of the community for which they were intended. Urban areas were different from rural ones, and even neighborhoods varied depending upon people's socioeconomic class, ethnic background, age, and interests. Different environments contained different cultures, which

in turn led to different mental health needs. As needs varied from community to community, so did the resources available to meet them. Some areas were rich with existing services while others were more limited. It was important to build upon the existing resources as much as possible, and augment them with federal money only where necessary.

In response to these ideas, CMHC's were to be localized in clearly defined "catchment areas" of 75,000 to 200,000 people. Catchment areas (a concept borrowed from England) were established in the state plans to conform as closely as possible to naturally occurring lines of community demarcation. Each center was required to have a board of directors from the catchment area to be responsible for its operations. Careful planning based on community characteristics and needs was emphasized and centers were encouraged to build upon the current service delivery system wherever possible. As stated earlier, centers were also encouraged to coordinate closely with other community caregivers, and to hire staff representative of the population to be served.

6. Innovation and flexibility. The CMHC program represented a major shift in our nation's approach to mental health care. At the time, people were unhappy with established modes of treatment and the slow moving, tangled bureaucracies of most state mental health systems. New and innovative techniques were needed to meet the diverse and voluminous needs of people across the country. Also, organizational systems were needed which could maintain flexibility to support a variety of treatment approaches and accommodate inevitable changes in them over time.

The CMHC program was intended to be such an innovative system.

Centers were asked to develop new treatment approaches based largely on the newer "social systems" approaches to mental health and illness. Organizationally, a variety of models were supported, and over time centers have been encouraged to become private non-profit groups with multiple funding sources. In these ways it has been hoped they could maintain distance from the state systems, and maximize flexibility and openness to new and improved treatment approaches. In order to maintain this innovative stance, centers have been instructed to make provisions for flexibility and change in programs, including periodic review of policies and operations.

7. Research and evaluation. The CMHC emphasis on innovation and experimentation mandated substantial investment in research and evaluation. Only by carefully examining the effects of new programs could effective ones be retained and refined, and ineffective ones be dropped. NIMH, since its beginning in the late 1940's, had been founded on the principles of research and evaluation (Feldman & Windle, 1973). The CMHC movement highlighted the need to expand this orientation to the community as well. Centers were encouraged to devote a portion of their budget to research and evaluation and base future planning on their findings. Evaluation could take a number of forms, but it was hoped that such efforts would eventually include cost-benefit analyses. For too long, mental health professionals had been prone to use methods which they had found most satisfying personally, rather than those which were best for the community and its limited resources.

8. Training. The CMHC movement also created a need for increased manpower, particularly in the new community specialty areas. Most men-

tal health professionals had only traditional experience, and were ill-equipped to work in the community. Efforts were needed to develop trained personnel in a variety of areas, and to reallocate existing staff into the new roles which were needed. At a national level, considerable money was made available for manpower development. Non-psychiatric roles were given particular emphasis, increasing training opportunities in psychology, social work, nursing, and community service. At a community level, individual centers were encouraged to develop imaginative training programs to help reallocated personnel gain competence in their new roles. Training was also emphasized for the development of paraprofessional and volunteer programs, and for the ongoing development of staff (in-service training). It was hoped that training activities would promote a desirable atmosphere of self-examination and openness to new ideas, in addition to simply increasing the numbers of available staff. Such an outlook was important for maintaining the high quality, innovative care which served as a cornerstone of the CMHC program.

Legislative changes. Over the years the CMHC program just outlined has been amended several times. Its basic intent has remained intact, however, and the above points still serve as general guidelines in centers across the country.

In 1967 and 1968 the original act was expanded. Federal funds were appropriated for continued construction and staffing of CMHC's through 1970 and money became available for the provision of services to alcoholics and narcotic addicts. The CMHC's Amendments of 1970 extended the basic centers program and those for the treatment of alcoholism and nar-

cotics addiction through 1973. Pointing out inadequacies in the original funding mechanisms, that legislation also extended eligibility for staffing grants from 51 months to eight years, and allowed for payment of a higher federal share of costs for centers in urban or rural poverty areas. Other related legislation in 1970 and 1972 broadened the nature of drug treatment services to include all kinds of drug abuse, and expanded the funding for such services and those for alcoholism. After 1972, all centers were required to make treatment available to drug abusers.

In the early 1970's resistance to the CMHC's program was strong within the Nixon administration. In the name of federal conservatism many programs were gutted, and alternative resources were neglected in the plans for mental health. During this time, congressional efforts to continue and expand the CMHC program were fought, appropriated funds were impounded, and the mental health bureaucracy accountable for supervision was drastically reorganized and reduced. In 1973 Congress was only able to get a one-year extension of the program. In 1974, the Alcohol, Drug Abuse, and Mental Health Administration (ADMHA) was created within DHEW to supervise NIMH and other related federal programs. Also during this time, the mental health constituency began to form a strong alliance in opposition to the Nixon austerity moves. For example, the National Council of Community Mental Health Centers was formed, increasing the lobbying power of local centers in the field.

The preceding action led to a major battle between federal officials in the Nixon and Ford administrations, and Congress over proposed legislation in 1974. With the support of a strong mental health lobby,

Congress eventually overcame two Presidential vetoes, and enacted a major extension and revision of the CMHC Act. The resulting CMHC's Amendments of 1975 (Title III of Public Law 94-63, July 29, 1975) extended the program through 1977 and rewrote many of the initial requirements (for an overview see National Institute of Mental Health, 1977a; and Ochberg, 1976).

The 1975 Amendments were significant in many respects. First of all, centers were required to provide twelve essential services instead of the original five. These included: 1) inpatient services, 2) outpatient services, 3) partial hospitalization, 4) emergency care, 5) consultation and education, 6) services for children, 7) services for the elderly, 8) screening services (pre-hospitalization), 9) follow-up care (post-hospitalization), 10) transitional services (including half-way houses), 11) alcohol abuse services, and 12) drug abuse services. Centers already in existence were given two years in which to expand their programs, otherwise they would lose all federal support. To ease in the transition, a new category of funding, "conversion grants," was made available to centers for up to three years.

The 1975 Amendments also created other new funding mechanisms for centers and adjusted the requirements of earlier ones. "Financial distress grants" were established for centers who had exhausted their eight years of federal support, and were facing serious financial difficulty. Also, one-year "planning grants" were created for communities to more carefully plan the development of new CMHC's in their area. Recognizing the need for special support of the often misunderstood and neglected consultation and education services, a separate funding mechanism, "con-

sultation and education grants," was established for them. Finally, both the original construction and staffing grants were renamed and made more flexible. Construction grants were renamed "facilities grants," emphasizing that they could be used not just for new construction, but to buy or lease and renovate existing buildings. (Unfortunately, there have never been any funds appropriated under this category.) Staffing grants were renamed "operations grants" and could be used to cover the costs of administrative expenses as well as those for personnel. This was particularly helpful for rural and poverty centers who had difficulty gaining enough local support to cover administrative costs.

Other changes resulted in further refinements in the CMHC regulations. For example, governing boards of new centers were required to be "non-provider" dominated and have the power to hire and fire the executive director, and approve the budget. Centers were also required to have an ongoing quality assurance program, an integrated medical records system, a professional advisory board, and an identifiable administrative unit to provide consultation and education services. Where non-English speaking clients were served, bilingual staff had to be available. Also, two percent of each center's budget had to be devoted to evaluation of its programs and services. The intent of these new provisions was to increase the accountability of center staff to the community and insure the provision of higher quality care.

The most recent amendments to the CMHC legislation were enacted in 1978. The new act extended the program developed in 1975, and made only minor changes in a few areas. Of some importance were two changes in the financial regulations. First of all, the eligibility for financial

distress grants was increased so that centers could receive up to five grants rather than the previous two. Secondly, arrangements were made for centers to keep a portion of surplus funds generated one year for use in the next to improve their operations, or establish a financial reserve for the purpose of offsetting upcoming decreases in federal money. Previously, centers were required to return all surplus funds to NIMH. Although the new provision allowed the retention of only a small percentage of extra income, it did improve the incentives for centers to generate non-federal funds and improve their self-sufficiency capabilities.

At the time of this paper, plans are underway once again for changes in the national program. In response to the recent "Report to the President" from the President's Commission on Mental Health (1978), the administration has proposed legislation which, if enacted in its latest form, will have significant impact on individual centers. The recently proposed "Mental Health Systems Act" contains several changes in the program created through the CMHC Amendments of 1975. Most importantly, the Act 1) places increased emphasis on deinstitutionalization, 2) gives more power to the states over CMHC funding and evaluation, 3) relaxes the notion of comprehensive services to allow funding of single high priority services, and 4) authorizes grants for non-revenue producing activities such as consultation and education and evaluation.

The proposed legislation has come under heavy criticism, particularly from the leaders of CMHC's. Major critics contend that the new legislation downplays CMHC's and will lead to the elimination of the important concepts of comprehensive, coordinated services and prevention

of mental illness. Most are particularly concerned with provisions which give increased power to the states. Historically, the states have shown only minimal commitment to CMHC's and prevention (Naierman et al., 1978), and CMHC leaders fear they will not manage the national program as intended if they are given the power to do so.

Another major criticism concerns the authorization of funds for services which do not generate their own revenues (e.g., third-party payments). While the provision is basically supported, critics feel that the amount of funds to be appropriated (one dollar per capita has been discussed) will be too small to cover all of the services which are combined in this category (including consultation and education, evaluation, case management, etc.). Most expect consultation and education to suffer the most, as they have been the most often misunderstood and neglected services in the past. Supporters of such services favor retention of separate consultation and education grants as was provided for in the 1975 amendments.

As a result of such criticism, Congress is debating the Act and considering a variety of amendments to it. Several battles are expected over a number of provisions, and it is unclear what form the Act will take when it is eventually passed. (For an overview of the proposal and CMHC commentary see: 79-5 "Briefing Memo" and 3-3 "Capital Notes" columns in the National Council News, May, 1979, a publication of the National Council of Community Mental Health Centers, 2233 Wisconsin Avenue, N.W., Washington, D.C.; and Testimony of John Wolfe, President of the National Council of Community Mental Health Centers, before the Senate Subcommittee on Health and Scientific Research, May 24, 1979.)

The problems of self-sufficiency. As CMHC's have developed over the years it has become increasingly apparent that the original legislative goal of center self-sufficiency is highly problematic. Anticipated sources of revenue have not become as accessible as hoped, and centers have not taken full advantage of available funding options. As increasing numbers of centers graduate from federal funding, the problem grows in importance, and thus raises serious questions about the future of the CMHC program. Dr. Stephen Sharfstein, Director of Mental Health Service Programs at NIMH, has suggested that the national program will become extinct in the 1980's unless action is taken to improve centers' chances for survival (Sharfstein, 1978).

The problems of self-sufficiency are not new, and as stated earlier, have been recognized since the development of the original CMHC legislation (see Foley, 1975). Widespread recognition has only come in the last few years as increasing numbers of centers have exhausted their federal funding and flirted with financial distress. During the past decade, several studies have documented and explored the problems of the "seed-funding" concept.

One of the first studies of CMHC self-sufficiency was conducted by the Stanford Research Institute in 1970. The resulting report (Harvey, 1970) examined sixteen centers and showed that their financial alternatives were extremely limited, indicating considerable dependence on federal grants for continued financial operation. State support was highly variable from area to area. Only seven centers received more than 20 percent of their revenues from this source. Local governments were constrained because of their limited tax-base and did not contribute much

either. Third-party payments were in short supply and usually available for only inpatient services. Client fees, other federal grants, and private philanthropy were basically insignificant.

A 1973 study by Macro Systems, Inc., reconfirmed the Stanford findings (Macro Systems, Inc., 1973). Centers varied widely in their ability to capture alternative funding and reliance on federal support was high. A very important finding was that center administrators had done little specific planning in anticipation of the impending termination of staffing grants. This was related to two apparent factors. First of all, unclear messages and a lack of commitment from funding sources made specific long-range planning very difficult. Secondly, no one expected the federal government to abandon centers if they got into serious trouble. The 1970 CMHC amendments had extended funding for centers beyond the government's original intentions, and there were hints at the time that future legislation would provide even longer-term support.

The following year these findings were reconfirmed by a study of the General Accounting Office (1974). The GAO review of twelve centers again pointed out the inadequacies of alternative funding sources such as third-party payments (too limited in coverage and reduced by deductibles and coinsurance) and fees-for-service (reduced by center's emphasis on serving the indigent). Current management practices of centers were also criticized heavily. In addition to poor planning, centers were shown to have inadequate financial operations (including accounting, billing, and collecting). This led to a loss of many potential revenues and the poor allocation of most funds already acquired. The authors concluded that current funding alternatives could not realistic-

ally replace federal funds in total, but that liberalized insurance coverage and improved management practices would help considerably towards this goal.

In 1975, the National Council of Community Mental Health Centers conducted a survey of its membership which showed that 60 percent of the centers losing staffing grant support that year would be forced to cut back services, often drastically, unless alternative funds were found (National Council of Community Mental Health Centers, 1975). To enhance their survival capabilities, centers planned to alter service priorities so as to maximize available sources of revenue. For example, they expected to see higher numbers of fee-paying clients in order to increase fees-for-service, and emphasize physician-directed and inpatient care because of their better coverage by third-party payers. Although they felt it unfortunate, certain aspects of the community mental health ideology might have to be sacrificed so that financial stability could be maintained.

The effects of funding constraints on community mental health services were also shown in a study by Landesberg and Hammer (1977). In their study, increasing numbers of third-party eligible, recidivist clients were seen on inpatient units so that beds could be kept filled and third-party revenues could be maximized. In other words, client recidivism was inadvertently encouraged rather than corrected in the attempt to increase the center's chances for survival. The authors pointed out that such a system runs contrary to the basics of community mental health, and threatens to transform the CMHC into a "community-based revolving door state hospital," the type of facility it was designed to

eliminate.

The most comprehensive and probing study of CMHC's to date was conducted by Abt Associates, Inc. (Naierman et al., 1978). Their report was based on a statistical analysis of secondary data on all 99 centers graduating from the initial staffing grant period at the time, and a case study analysis based on in-depth interviews in 28 sample centers. Their work explored the effects of federal grant termination on the centers, assessing whether alternative funds were eventually obtained and whether the service requirements of the CMHC program were affected.

Results of the study showed that between the fifth and eighth years of the staffing grant, centers were able to obtain third-party revenues and patient fees which substituted for the declining federal dollar. During these years, the shift in funds did not affect service priorities, the availability of services, or other aspects of the CMHC ideology. Serious effects were observed by the tenth year, however. After the eighth year and termination of the staffing grant, third-party revenues stabilized in growth while state and local funds became more crucial to the replacement of lost federal funds. Because state and local funds often came with service requirements and state priorities which conflicted with the CMHC objectives, centers were forced to retrench their programs and compromise the CMHC ideology. Consultation and education services and satellite clinics were significantly diminished, and there were observable shifts away from outpatient services to the more profitable inpatient services. Reductions in partial hospitalizations and emergency services were also visible in some centers. Thus, within a year or two after defunding the CMHC ideology was in jeopardy among

graduate centers, despite their continued financial viability.

The most recent studies of CMHC self-sufficiency have been conducted by staff at NIMH. The first of these was conducted by Weiner, Woy, Sharfstein, and Bass (1979). Their investigation included analysis of secondary data on a cohort of 29 centers that had completed their eight years of staffing grants by March, 1975. One sub-group of 11 centers were true "graduates" in that they had not received further NIMH funds since the end of their eight years of staffing grants. The other subgroup of 18 centers were "quasi-graduates" because while their eight years of staffing grants had ended, they subsequently sought and received additional federal money under provisions of the 1975 CMHC Amendments.

Results indicated that true graduates were much more aggressive in garnering third-party reimbursements and state funds than were quasi-graduates. Yet, as was pointed out in the Abt Associates study, it appeared likely they were also moving further away from the CMHC model. Centers in the other subgroup, by virtue of their reliance on federal distress funds, appeared to be in compliance with the CMHC model. However, they were in much more financial difficulty and it was unclear what would happen to them if and when the federal grants ended. The authors concluded that the premises of the seed-money approach need rethinking, and that some form of "floor funding" may be needed to help preserve the CMHC ideology and program. They also suggested that further work is needed to understand the differences between graduates and quasi-graduates which can lead to successful financial viability without loss of the program's basic principles.

Wasserman, Woy, and Weiner-Pomerantz (1980) have recently followed up on the study of Weiner et al. (1979) by looking further at the sample of "graduates" and "quasi-graduates" examined earlier. The overall purpose of their effort was to explore the programmatic changes which accompany the decline and end of federal funding for CMHC's, noting in particular changes in the nature and type of services provided to clients. Their findings indicated that the divergent funding patterns of "true graduates" and "quasi-graduates" did have different patterns of service associated with them, although the specific programmatic differences between the two groups varied from those expected based on the Abt Associates, Inc., study. In addition, the study suggested that it appears extremely difficult, given current funding structures, for CMHC's to remain true to the CMHC model and maintain their fiscal viability. The authors argued strongly for the development of improved funding systems to better support the financial and philosophical needs of the CMHC program. They also called for the federal government to provide ongoing support in the short-run for important, yet currently non-reimbursible services until such long-range funding systems can be developed.

The most recent examination of the problems of CMHC self-sufficiency was conducted at the NIMH-sponsored "National Conference on Graduate Community Mental Health Centers" held April 14-17, 1980, at Fripp Island, South Carolina.¹ The conference of invited participants, in-

¹For information contact J. Richard Woy, Ph.D., Acting Chief, Program Analysis and Evaluation Branch, OPDA, NIMH, Room 17C-05, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857.

cluding a cross-section of individuals associated with CMHCs across the country, were asked to discuss two major questions: 1) What happens to federally funded CMHC's as the federal grants decline and end?; and 2) What additional actions, if any, are needed to assure the continued growth and improvement of graduate CMHC's? Results of the conference further documented the problems of self-sufficiency and called for several needed changes in organization, policy, and administration at a federal level. A committee of conference participants was organized to work with NIMH and ADAMHA officials to follow up on their various recommendations.

Barriers to self-sufficiency. There are several reasons why self-sufficiency has been so difficult for centers to achieve. The previous discussion outlined some of the most important issues involving the accessibility of alternative funds and inadequacy of center management. A number of other barriers to self-sufficiency exist which can also be proposed. This section includes a review of some of the most important of these that centers face in their struggle to survive. These include the following: 1) problems in the federal role, 2) problems in the state role, 3) inadequacy of third-party coverage, 4) obstacles in the federal regulations, 5) unrealistic expectations and demands of the public, and 6) poor center management.

1. Problems in the federal role. The role of NIMH project officers with respect to CMHC's includes monitoring center program development and financial planning, providing consultation and technical assistance when needed, and coordinating program planning with state men-

tal health authorities. Because the CMHC program is decentralized and administered primarily by the regions, the extent to which these functions are performed varies from region to region, and among individuals within a given region. Data suggest that there have been several problems in how this role has been operationalized (Naierman et al., 1978; Sharfstein & Wolfe, 1978). Often, federal representatives have not been as accessible as centers would like, and have not been trained in management and fundraising skills so desperately needed by centers approaching the end of their federal grants (also see Morrison, 1977). Also, NIMH data requirements have been burdensome and inappropriate for meeting centers' data needs. Thus, centers have needed one data system to satisfy NIMH, and another to help them plan for survival. Finally, some centers have suffered from a lack of coordination between NIMH and state mental health authorities (also see Foley, 1975; and Hall, 1970). There has been confusion over such issues as catchment area designation and the funding of CMHC and state facilities in the same area. Differences of opinion, particularly over funding issues, have left centers caught in the middle. If they side with federal officials, they risk losing support from the state, and if they side with the state, they risk losing federal support.

2. Problems in the state role. Such lack of coordination between federal and state officials has been related to unclear expectations about the state roles in the delivery of mental health services. As mentioned earlier, the states had been responsible historically for the delivery of mental health services. Because of overwhelming problems with state hospitals and unwieldy state mental health bureaucracies in

the mid-1950's, the federal government stepped in to take a larger role. It was hoped that with initial federal involvement and seed-funding as the impetus, states would increasingly adopt the CMHC ideology and support such services. Unfortunately, the federal stance has felt condescending to some states, and they have resented federal involvement in their work. Plus, historically, the federal government has not included the states in CMHC planning as it has promised to do so (Foley, 1975; Whittington, 1975). Thus, a negative relationship has developed between some states and NIMH, resulting in a mixed commitment from the states to CMHC's. State officials have performed well enough to honor their state plans so that they could keep federal money but have not provided the kind of support envisioned by NIMH or CMHC's.

The lack of state support has also been related to pure and simple economics. No one expected the seventies to develop as they did, with increasing economic difficulties, long delays in the implementation of a national health insurance program, and increasing public conservatism and reluctance to support human service endeavors (e.g., California's Proposition 13). As the CMHC program matured and centers' needs for state dollars grew, the states were in a worsening position to provide assistance (Hall, 1970; Naierman et al., 1978; Okin, 1978).

State resources for CMHC services have been further limited by the fact that money tied up in institutions has not been transferred to the community as expected. Robert Okin, Commissioner of the Massachusetts Department of Mental Health, outlines several reasons for this in a recent article (Okin, 1978). He notes that early deinstitutionalization efforts led to the initial removal of the least disabled patients to the

community. These patients had traditionally worked at the hospital without pay and represented a significant part of its labor force. This removal necessitated the hiring of additional paid staff to care for the more needy patients who were left. At the same time, pressure was being placed on institutions to change their orientation from mere custody to active treatment, creating further needs for state resources. The hospital was thus placed in the embarrassing position of requiring more staff at the same time its patient census was decreasing. Also, efforts to close hospitals and layoff staff have been fought by employee unions and local communities who depend on the hospital for a source of revenue, and fear the release of mental patients into local neighborhoods.

In addition to being limited, state funds have also been quite restrictive. Because their resources for community-based services have been scarce, states have had to prioritize their use. For the most part they have placed their emphasis on work with the chronic population, the group for which historically they have felt most responsible. Preventive services such as consultation and education and emergency services have been largely neglected. Thus, centers have not been able to depend on state funds to support the diversity of services which they were intended to provide.

Use of state funds has contributed to other problems as well. Some states are slow in reimbursing centers, and thus contribute to problems in cash flow. Also, centers working with decentralized state mental health systems have found the multiplicity of governmental layers confusing and full of red tape. Because of this confusion, decision-making is open to considerable personal influence and centers can find them-

selves in politically charged environments. Such environments can be extremely frustrating, and, because of this, several centers have avoided state funds wherever possible (Naierman et al., 1978).

Thus, state support has been inadequate and problematic for most centers, providing them a major obstacle to self-sufficiency. State resources have been limited, and for the most part, highly restrictive. Also, for historical reasons, states have not shown a commitment to the CMHC ideology, and their longstanding arguments with federal officials have caught some centers in the middle. Lastly, the bureaucratic and political tangles of state governments continue to be a reality, and lead to considerable frustration at a local level.

3. Inadequacy of third-party coverage. As stated earlier, proponents of the seed-funding concept anticipated the development of increased mental health coverage under third-party payment systems (e.g. Medicaid/Medicare, private insurance, and national health insurance). Unfortunately this has not happened to the extent hoped, even though graduate centers do depend on third-party sources for a major part of their revenue. The problems of such funding are varied, and several individuals have discussed them (Beigel, 1977; Hall, 1966, 1970; Morrison, 1977; Naierman et al., 1978; Sharfstein, 1977). The following is a summary of their most important findings.

Currently, third-party systems pay primarily for physician-directed inpatient and outpatient services, although in some states only inpatient services are covered. A few states are developing systems to cover day treatment programming as well and are trying to persuade insurance companies to follow with them. Usually there are strict regula-

tions which must be met to receive funds. Generally these control 1) the type of organization delivering services, 2) the credentials of staff involved, 3) the type of services being provided, and 4) the eligibility of the clients covered by the payment program in question. These restrictions have been difficult particularly for free-standing centers not oriented towards a medical model of service delivery. Also, most payment plans have a ceiling which further restricts the amount of income a center can generate. As noted in the study by Abt Associates, Inc. (Naierman et al., 1978), most centers learn how to maximize income from third-party sources by their eighth year, but then approach this ceiling and can get little more. Another problem is that reimbursement rates are often not equal to actual center costs for services, and that billing procedures are complicated and time-consuming. Thus, even if centers maximize their reimbursements, they may not receive enough money, or enough money in time, to pay for their operations.

There are several reasons for these limitations and problems. First of all, third-party payment programs have been difficult to develop because of the unstructured quality of most mental health services. Reasonable and reliable cost rates have been difficult to concretize, particularly for preventive services. Plus, historically, third-party payment systems have grown from the health industry. Mental illness has not been seen or understood in the same way as physical illness, and people have been reluctant to support it equally. Thus, it is not surprising that those services most similar to health services (e.g., inpatient) have received recognition first, while others have been ignored. As a final point, the medical model has also been the most respected and

nationally recognized. With it, psychiatrists and the American Psychiatric Association have become a powerful national lobby. Their influence has significantly affected the standards and regulations of third-party payment systems, keeping them restricted to physician-directed services.

The prospects for major changes in third-party systems are not optimistic at the present time, and national health insurance which would cover mental health services is still thought to be ten years away. Efforts continue at a national and state level to improve mental health coverage, however. In the meantime, it appears that centers do have some room to improve their collection procedures and increase third-party revenue (Weiner et al., 1979).

4. Obstacles in the federal regulations. Over the years, the federal CMHC regulations have been amended several times to improve centers' viability and readjust principles of the CMHC ideology. Unfortunately, problems still exist which hinder self-sufficiency, some of which have been created rather than corrected by the amendments. For example, Steven Sharfstein notes in a recent article (Sharfstein, 1978) that the 1975 CMHC amendments have created many problems for centers in the process of trying to improve service provision. Most notable of these was the expansion of the comprehensive concept from five essential services to twelve essential services. Along with this were requirements to make centers more accessible and accountable to the community, and to increase reporting requirements to NIMH. While these have all had good intentions with respect to service delivery, they have imposed a significant and continuing management burden on CMHC's (also see

Naierman et al., 1978).

Another example is that the 1975 CMHC amendments prohibit centers from carrying a surplus of funds from one year to the next. A surplus generated one year results in a dollar for dollar reduction in the next year's grant. If a center has a bad year and their expenses exceed all sources of revenue, they must somehow fund the deficit from existing resources. The law does not allow these deficits to be recouped in a succeeding fiscal year. Given no clear mechanism to recoup the loss, a CMHC with small reserves is in jeopardy of bankruptcy. Such regulations provide a negative incentive for centers to increase their third-party payments and build financial self-sufficiency. Also, they contribute to problems of cash flow, particularly when center receipts are late or service delivery becomes suddenly low.

The 1977 CMHC amendments attempted to correct some of this problem by allowing centers to keep a portion of surplus funds generated one year for use in the next to improve their operations or establish a financial reserve for offsetting upcoming decreases in federal money. However, the retainable portion is very small (only 5%) and does not significantly improve the situation for CMHC's.

5. Unrealistic expectations and demands of the public. Over the years CMHC's have been billed as all things to all people. Emerging from the problems of mental health care in the 1950's to the global optimism of the 1960's, many have expected CMHC's to be a "savior" in the local community. As we move through the 1970's and our problems of mental illness and hospitalization still persist, CMHC's have come increas-

ingly under attack. Criticism has come from conservatives such as the Nixon administration who are unhappy with continued federal government involvement in mental health, from the medical community who are unhappy with CMHC movement away from psychiatric treatment, from local townspeople who are still afraid of the mentally ill, and from liberals who feel CMHC's have not lived up to their promises. The CMHC ideology has not been universally agreed upon and there is still disagreement as to which parts should be emphasized and how services should be delivered. Such debate continues to plague CMHC's as they can never live up to everyone's expectations. Whether the criticism is valid or the result of inappropriate expectations, CMHC's are increasingly threatened by its negative effects on the federal, state, and local funding upon which they depend to survive.

6. Poor center management. As documented in the studies discussed earlier, some of the largest barriers to self-sufficiency for CMHC's are their own management practices. Problems in planning, fund-raising, financial management, and organization development have made it difficult for many local communities to develop smoothly functioning, financially solvent operations. The reasons for these problems are varied, and it is only in the last few years that they have been addressed.

According to Feldman (1972) the problem is twofold. Managing such organizations is a difficult job, perhaps more difficult than most in the field have realized. Centers are large, diverse organizations with a complex heterogeneous staff funded through a variety of sources. Managers are faced with a highly politicized and changing community to

which they must continually be on guard. Also, the task of agency coordination is a difficult one requiring sensitive and sophisticated skills. This problem is coupled with the unfortunate fact that most center directors are clinicians with little experience and training in management and community politics. Furthermore, little has been written for their use, and there has been little in-service training or technical assistance available.

Freedman (1972) reiterates Feldman's basic argument in his discussion of the administrative role of CMHC directors. He also mentions that CMHC directors have had trouble avoiding the management trap of sacrificing long-range planning to "put out the brush fires" of their constantly changing environment. He stresses the need for center directors to do anticipatory planning to head off future difficulties. Unfortunately, he does not explore ways this can or should be done.

Mazade (1978) presents a more up-to-date version of the administrative issues facing CMHC directors in a discussion resulting from a recent staff college workshop co-sponsored by NIMH and the National Council of Community Mental Health Centers. According to the CMHC directors involved in the workshop, fund-raising was an increasingly problematic area for them. As the funding picture becomes more complex and limiting, they felt they will need increasing technical assistance to combat it. In particular, they wanted help in developing skills in negotiating, bargaining, community organization, arbitration and mediation, coalition building, priority setting, marketing, planning, lobbying, public relations, and advocacy. Also, they needed help in facing the continuing reality of decision-making under conditions of high uncertainty.

As discussed in the studies of center self-sufficiency presented earlier, financial management is a particular problem. In most cases the problem of poor financial management is due to center administrators' lack of experience in this area. Also, the financial operations of non-profit organizations are quite complex, particularly when the federal regulations prohibit carrying a surplus. There are a number of funding source regulations to satisfy, with sometimes conflicting reimbursement schedules to juggle when paying bills. This is an area in which many centers need help.

Technical assistance for CMHC administrators. As the problems of CMHC self-sufficiency have grown in importance in recent years, center administrators have increasingly needed technical assistance in this area. Unfortunately, most writings have either 1) simply addressed and outlined the problem to increase people's awareness of it, or 2) focused on legislative changes needed at a national level. Only a few articles have offered practical help for managers in the field.

Stanley Silber, former Chief of the Community Support Section of the Division of Mental Health Service Programs at NIMH, provided considerable assistance in the early 1970's. His 1971 article (Silber & Burton, 1971) reviewed research into the leadership patterns of successfully funded CMHC's. Essentially he found that strong, effective leadership was the most important element in a successful CMHC program. The most crucial aspects of this leadership included the following:

- 1) Planning for service programs was closely integrated with financial planning so that a joint commitment was made to maxi-

mize the center's response to the community's mental health needs and maximize its development and use of available fiscal resources.

- 2) Lines of communication were kept open between the center and the total area it served.
- 3) Communication was kept open between the board and staff.
- 4) Third-party payments were captured aggressively. Generally, staff were required to spend at least 50% of their time in income-producing activity.
- 5) The center was coordinated closely with other community agencies.
- 6) A "business-like" order was maintained in the center, but without staff feeling dehumanized.

In two later articles, Mr. Silber outlined how centers could 1) secure funds from private philanthropy (Silber, 1972), and 2) develop multisource funding programs (Silber, 1974). In the second article, he made several significant points. Most importantly, he noted that the complexity of multisource funding today requires a highly sophisticated, centralized approach. No one center has all the expertise required to do the job, nor can it afford the cost of technical assistance required. As competition for scarce resources becomes keener, the only means of survival for centers will be the aggressive pursuit of funds in collaborative action with state and federal representatives.

As an example, he discussed the early 1970's CMHC system in Kentucky where federal and state representatives worked closely together to stay informed about funding possibilities and provide support to indi-

vidual centers. Buttressed with this kind of coordinated support, Kentucky centers were in a fairly secure position. Aggressive and effective management was still needed at the local CMHC level, however. Mr. Silber provided the following suggestions for CMHC administrators based on his experience with Kentucky CMHC's:

- 1) Third-party payments should be pursued aggressively and efforts should be made to determine how different services can be made eligible for reimbursement.
- 2) Interesting, innovative, and low-cost demonstration programs should be developed that can be shown to private insurers as they will be looking in the future for facilities that can provide quality services more economically than traditional institutions.
- 3) Demonstration of the capability to receive third-party reimbursements can be used to attract seed money from states or private banking support.
- 4) Partnerships should be developed with other health and human services for multisource funding of particular programs.
- 5) Programs and sound management practices should be made visible and used to establish credibility in the aggressive pursuit of dollars.
- 6) Private philanthropy should be explored as a major untapped source of money for training, research, and demonstration projects.
- 7) CMHC's need to develop an organizational structure specifically designed to cope with an ever-accelerating rate of change in

the delivery and financing of health services. Part of knowing the game is that it is changing continually, and that today's plays may not win tomorrow.

- 8) Aggressive leadership is needed which can tie together the community, the legislative process, and the program, and that is prepared to protect and defend the program.
- 9) Centers need a current and growing base of knowledge about political, legal, professional, and program developments on the local, state, regional, and national scene. This knowledge base should be continuously analyzed so as to constantly develop, modify, and prepare alternative strategies for changing political and legislative conditions. An administrative structure and information system should be developed to assist in the building of this knowledge base, the preparation of program strategies, and the implementation of strategies.
- 10) Centers should develop an overall plan for the delivery of services that involves people at all levels in its determination and delineation and is flexible enough to be updated as necessary.

During the early 1970's, a few others offered their own brand of advice to CMHC administrators. Some were geared towards helping centers identify potential funding sources (National Institute of Mental Health, 1973a; Reff, 1972), and improve their financial management systems (e.g. National Institute of Mental Health, 1972, 1973b, 1974). Others, picking up on recent developments in organizational systems theory, began to offer advice from a theoretically-grounded perspective (Baker, 1972;

Franklin & Kittredge, 1975).

Frank Baker borrowed concepts from open-systems theory and used them to help center administrators develop an improved approach to planning. According to Baker, centers must learn to adapt their planning to the environmental systems in which they are embedded if they are to survive over time. In the dynamic, uncertain environments of CMHC's, administrators must be flexible to develop short-range plans that act as a guide for implementing operating tactics. However, these short-range plans must be related to long-range objectives and strategies. At times the center must take a reactive stance with regard to the environment, responding to task demands generated from without. At other times, a proactive stance is needed in which internally generated demands initiate activity which attempts to modify environmental demands and improve the organization's overall position with regard to resource acquisition. He noted that centers with poor planning units are forced to operate only from a reactive stance. In such cases, the director is often in a state of intermittent crisis attempting to meet one unanticipated environmental problem after another.

Franklin and Kittredge followed a similar but more limited approach in their attempt to help CMHC's become more effective in the local care giving system. They discuss the need for centers to develop an offensive rather than defensive posture wherever possible. They suggest the use of strategies that emphasize positive qualities of CMHC's to the community, and induce credible community members to support the CMHC to local funding sources and other agencies.

H. G. Whittington (1975) provided assistance to CMHC administrators

in his discussion of a 1973 conference on center survival strategies. He stated that centers need to become more cost-effective through improved management techniques. Unproductive staff members must be motivated or eliminated; cost-ineffective treatment methods must be identified and eliminated; low-cost personnel must be used within an effective management system of control to guarantee minimum standards of service; and Management Information Systems (MIS) must be instituted to chart utilization of center resources against resource acquisition success.

More recent efforts to help center directors have come from the Abt Associates, Inc., study discussed earlier (Naierman et al., 1978), and an exploration of administrative issues in rural CMHC's by Brian Flynn (1979).

The Abt Associates, Inc., study found several factors which led to more successful CMHC operations. From these, the following suggestions can be gleaned:

- 1) A cornerstone of effective CMHC management is comprehensive, anticipatory financial planning, solid financial management, and aggressive billing for services. Centers need to be very strong in these areas and develop an effective MIS for assistance.
- 2) Center directors need to develop skills in traditional management areas such as finance, but also in areas related to interfacing with community groups, and local and state funding agencies. These include among others skills in community organizing, contract negotiating, and political maneuvering.

- 3) Centers should explore as much as possible untapped sources of income such as industry contracts for consultation and education services.
- 4) Centers should attempt to develop financial "buffers" which can help absorb the shock of losing federal support. Abt Associates, Inc., found that centers which were part of a state system, part of a general hospital, or part of a local coalition of free-standing centers were able to use these groups to help share losses of funds. In most cases, services still had to be cut back, but cutbacks occurred equally throughout the system and the financial solvency of the individual center was not jeopardized in the process. Free-standing centers experienced much more difficulties when their federal funds (which had previously served as a buffer) expired.

The study by Brian Flynn explored the particular problems of center directors in rural CMHC's. He noted that in rural communities the most important sources of support which led directly or indirectly to financial survival were the local and county governments. Others included the board of directors, state legislators, local advocacy groups, school personnel, clergy, local business leaders, service clubs, the local medical communities, and the United Way. Effective linking to these groups was facilitated by personalized relationships characteristic of small communities. Dr. Flynn also discussed three innovative strategies used by centers to improve their survival position. These included the following:

1. Long-range financial planning. One center had developed a

Careful process of monitoring program efficiency and income-generating ability. This was then used to develop long-range plans for making individual programs maximally efficient and effective. Available grant mechanisms that would help or hinder the center's ability to survive several years down the road were explored vigorously. A major lobbying effort was also directed toward the state legislature for support of several specific programs which were in jeopardy. Extensive use was made of data generated from internal program monitoring and long-range planning efforts. In this way, the legislature knew that the center's requests were legitimate and based on careful planning.

2. Obtaining town funding. Another center used the tactic of "demonstrated success" to gain financial support from towns in their catchment area. The first year they sought funding only from towns where they had high visibility and a good chance of getting support. This was successful and they received money from everyone asked. The second year they approached additional towns where they had an active board member, and added twenty towns to their initial eight. The third year they approached all towns saying that they had never been turned down, and got support from all but one. If they had approached all towns initially, they felt their success rate would have been much lower. This strategy improved their chances for appearing credible to communities that did not know them well. They also noted that use of board members as spokespersons at town meetings, rather than staff, personalized their contacts and improved their success rate.

3. Minimizing community resistance. Another center had experienced debilitating resistance from the local community to its supposed

"empire building." In response, the staff attempted not to be defensive about the magnitude of their programs, but rather to be realistic about their federal mandates which had been agreed upon by the state and local community. Also, they tried to maintain close relationships with other agencies in the community affected by their services and organization.

Most recently, three other publications have become available to assist center directors. The first is an annotated bibliography on mental health administration by NIMH (National Institute of Mental Health, 1978). Several useful articles and books are referenced. On a bleaker note, Jane Patrick (1979) offered suggestions to CMHC administrators faced with the unfortunate necessity of closing a CMHC. Using a crisis theory framework, she examined staff reactions to the crisis, and proposed an intervention model in which a consultant is employed to help staff identify and avoid maladaptive coping behavior. The last is a report by Arthur D. Little, Inc. (1979) which studied the effects of organizational structure on CMHC operations. Based on their findings, they recommended that centers improve several process aspects of their operations. Included were the following issues:

- 1) Centers should develop a clearly articulated organizational concept to guide their activities and shape their role in the community.
- 2) Centers should develop a clear relationship with their sponsors that encourages center autonomy and growth.
- 3) Staff should have a clear understanding of the CMHC's overall process and mission.
- 4) There should be multiple means of identifying, tracking and

serving a wide variety of clients, with more emphasis on the community than on professional status and hierarchy.

- 5) The center should have an identified leadership that articulates the CMHC's organizational concept and encourages staff participation in decision-making.
- 6) Centers should maintain an anticipatory and interactive approach to change (i.e. a non-defensive posture).
- 7) Centers should develop and use measures of organizational effectiveness and efficiency to evaluate their own operations.

The need for further assistance. The works just discussed have been helpful to CMHC administrators struggling with the problems of self-sufficiency. However, they represent only a beginning. More is needed which both gives center directors a theoretical perspective to conceptualize and approach the problem of survival, and explores the variety of strategy options available to them given their particular situations. The theoretical perspective and strategy options must be ones which balance the needs for financial solvency and the needs for maintaining quality services and the CMHC ideology. Given this, center directors will be in a much better position to proactively shape their organization and direct it to a position of secure effectiveness.

The work by Frank Baker (1972) is a useful beginning in the development of a theoretical perspective for approaching center survival. His organizational systems perspective which views the CMHC as embedded in a highly turbulent environment struggling to adapt and survive is extremely appropriate. This basic perspective has been discussed in much

greater detail in the business management and organizational theory literature, and it is there that we now turn for help. Much of the business literature is highly applicable to the problems of CMHC's. The following chapter includes a brief review of that literature and a discussion of some of the strategy options formulated and used by business managers. Later, this will be used to develop a theoretical perspective useful to center directors, which can also be used to ground an exploration of center survival strategy options.

Summary. This chapter has included a brief overview of the basic concepts and historical development of CMHC's. Centers were created in the early 1960's as part of an innovative national program to improve the delivery of mental health services in our country. A cornerstone of the national program was the concept of self-sufficiency. CMHC's were created with federal seed-funding which they were expected to gradually replace over time. As the program has matured it has become increasingly apparent that achieving self-sufficiency is very difficult, particularly if the CMHC ideology is not to be compromised. Center directors are increasingly in need of technical assistance which can help them work within the system in which their organizations are embedded to achieve financial solvency without sacrificing the goals of the CMHC ideology. Previous approaches to the problem have been limited. The remainder of this paper attempts to build on previous work by giving center directors 1) a theoretical perspective to conceptualize and approach the problem of survival, and 2) a variety of strategy options available within this framework to use in their particular situations.

The business management literature on organizational adaptation to the environment is highly applicable to the problems of CMHC's, and it is there that we now turn for help. The next chapter includes a review of that literature, and the development of a potentially useful management approach that can be applied to the problems of CMHC's.

C H A P T E R I I

ORGANIZATIONAL ADAPTATION TO THE ENVIRONMENT: THEORY AND USE

Many theorists have attempted to conceptualize organizational functioning in ways that are helpful to executives. In the past, such conceptualizations emphasized internal operations such as leadership and communication processes. It was thought that the key to continued organizational survival and success was the proper management of such internal functions. More recently, theorists have placed increased emphasis on the organization's external environment and its impact on effectiveness and survival. Writers contend that today's organizations exist in a much more complex and changing environment than did those in the past. Resources and demands have shifted and continue to do so at an ever increasing rate. Government regulation is much more influential than in the past, as are the pressures of outside interest groups such as labor unions. Organizations can no longer take their resources for granted and operate in relative isolation from other organizations and groups. Continued survival and success depend upon the proper management of external demands. Organizations need to adapt to their environments, adjusting their structures and processes to conform to outside constraints, while to the best of their ability, trying to alter their environments so as to make them more controllable and munificent. While such adaptation often requires a reactive stance, long-range success and survival necessitate management's working proactively

to at least anticipate and hopefully alter environmental contingencies. Central here is the development and implementation of appropriate strategies for working with the environment.

Early efforts. Work in the area of organizational adaptation to the environment is generally traced to the early efforts of organizational theorists such as Chandler (1962) and March and Simon (1958), and systems thinkers such as Bertalanffy (e.g., 1968) and Miller (e.g., 1972).

The Chandler and March and Simon works look at organizations as problem-solving and strategizing entities. They note that key management functions include long-term planning, as well as the handling of immediate problems and crises. In carrying out these functions, organizations naturally search their environment for information needed for decision-making. Based upon this information, organizations then develop strategies for approaching their world. In order to carry out these strategies, the organization develops structures and processes tailored to their goals and the environment in which they are embedded.

Closely related to this thinking is the early work of Cyert and March (1963) who discuss the adaptive, learning features of organizations. According to their perspective, the firm seeks to avoid uncertainty in its environment, and thus strives to make external events more controllable. The organization reacts to its environment through observations and interpretations, and develops objectives, decision strategies, and implementation plans to improve its position with respect to others. Over time, the firm learns from experience, and goals are changed, attention is shifted, and search procedures are revised. Or-

ganizations learn what to strive for in their environment, and to what events they should give attention. In seeking preferred states, shocks and disturbances always occur which cannot be reliably forecasted and prevented. Cyert and March contend that successful organizations develop "organizational slack" to protect against such problems. Excess resources are absorbed in the organization during the good times to be used as needed during the bad.

The early systems thinkers such as Bertalanffy (e.g., 1968) and Miller (e.g., 1972) (also see collection of articles by Litterer, 1963, 1969) stress that organizations, as all natural (open) systems, exist within the context of a larger environment with which they must interact to survive. Survival depends upon an adequate flow of resources into the organization which can be processed and used to support its activities. To maintain this flow of resources, the organization must develop a relatively stable relationship with different components of its environment which control important inputs. Adjustments are made as needed to respond to environmental changes and to continually work towards the goals of the organization. Adjustments are made based upon feedback and other information collected from outside the system's boundaries. Effective organizations devote considerable effort to information processing, and over time, learn the least expensive ways to defend against external stress. Such organizations also input more energy than is required to maintain themselves so as to build reserves which can be used during times of stress ("organizational slack"). While effective organizations strive to become more efficient in reaching their preferred states of existence, the same final states can be reached from different

initial conditions through a variety of paths. This quality of "equifinality" provides flexibility for managers and allows them to use various strategies in different situations depending upon their style and preferences.

These problem-solving and open-systems perspectives were picked up, popularized, and expanded upon by several writers in the 1960's (e.g., Litterer, 1965; Katz & Kahn, 1966). A notable contribution came from Thompson (1967), who stresses the searching and learning qualities of organizations in their attempts to manage interdependence and decrease environmental uncertainty. He delineates several of the strategies used in different situations by organizations to gain increased control over their environment. These include, among others, the following important points:

- 1) Organizations will attempt to "buffer" environmental influences so that changes do not have sudden, major impact on their functioning, and so that they do not have to respond to all demands placed upon them.
- 2) Organizations will manage interdependence by gaining power in the systems of which they are a part. Power is gained by increasing others' dependence on them as a source or controller of needed resources.
- 3) Organizations will seek to lessen the power of other organizations over them by maintaining alternative sources of needed inputs.
- 4) Organizations will seek to improve their positions by improving their prestige in the systems of which they are apart. They will emphasize scoring well on criteria most visible to important ele-

ments of the environment.

- 5) Organizations will also use cooperative strategies to decrease environmental control. These include contracts and informal agreements with other organizations, joint ventures, and cooptation.
- 6) Organizations will expand their domains vertically (e.g., purchasing sources of material for their production processes) or horizontally (e.g., purchasing competitors) to gain more control over their environments.
- 7) Organizations structure themselves to deal with the complexities of their environment. They differentiate, specialize, and form clusters to deal with important environmental constituents.
- 8) Organizational survival rests on the successful co-alignment of the technological and task environment with the selection of a viable domain and organizational structure by top management. Over time, management must find strategic variables to manipulate in such a way that interaction with other elements will result in a viable co-alignment. This includes a dual search for certainty in the short-run and flexibility in the long-run.
- 9) Successful organizations seek out information about the environment to use in developing and implementing strategies. Such searching must include looking for information relevant to developing opportunities as well as solving problems.

During the last several years, many other contributions have been made to the field of organizational adaptation. These have come from writers in a variety of related areas such as organizational cybernetics, organizational learning, organizational growth, contingency theory,

business policy and environmental scanning, organization design, and organizational ecology. Writers in these areas have all made important theoretical points which can be useful to executives in the field.

Organizational cybernetics. Cybernetics is a field which has grown as a subspecialty within the field of general systems theory. It is concerned with the transmission, collection, and control of information within systems. Of particular concern is the use of feedback as a self-regulating device to maintain system stability in the midst of changing environmental conditions. Some of the most important work in the area has come from Ashby (1956, 1960). Other interesting applications may be found in a collection of articles by Litterer (1969).

From this perspective, the organization is seen as a system of information receptors, communication networks, and decision points involved in a process of information exchange and transformation. For the organization to survive and be effective this communication system must keep the organization in tune with changing environmental conditions. When the organization deviates from its goals or becomes out of balance with the environment, it must be able to receive appropriate feedback and use it to correct its actions. Organizations also need to develop what are called second and third order feedback systems. Such mechanisms involve the development of organizational memory and learning. The organization needs to store feedback and other information from previous adaptive situations so that it can use it to develop more appropriate responses in the future. Information stored in the organization's memory can be used to anticipate and predict future environmental activity,

thus increasing manager's control over it. The better the memory, the faster the recall, and the more feedback can be used to work proactively, the more autonomous and successful the organization is likely to be. As the organization becomes increasingly sophisticated, it will be able to reflect on the quality of its feedback and memory system, and intervene to make it more effective. For example the organization may notice that it has developed a self-perpetuating dysfunctional feedback loop with an important outside group. By reflecting on the dynamics of this situation and attempting to correct it, the organization can improve its information collection procedures, and enhance its future adaptive capabilities.

While the area of organizational cybernetics is highly theoretical, there is some useful advice to be gained for the practicing executive. Cybernetics suggests that information systems are crucial to organizational survival and effectiveness. Great care must be taken to develop ways of collecting, storing, and using accurate feedback and information from the environment. Feedback systems must also be examined periodically to determine if dysfunctional patterns have developed which maintain problematic environmental relationships. Any problems noticed should be corrected.

Organizational learning. The ways organizations store information from the past for use in future situations have also been explored in the area of organizational learning. Important contributions can be found in the works of Cangelosi and Dill (1965), Jellinek (1977), Post and Mellis (1978), and Argyris and Schon (1978).

This area suggests that over time, through processes of trial and error and cognitive reallignment, organizations learn more effective ways to approach their environment. This learning is not necessarily explicit to organizational members at the time, and is in many ways a piecemeal process which involves experimentation. At a simple level, members learn which organizational responses are most acceptable under various environmental circumstances, and how much commitment is needed to satisfy a relevant public without having to undergo major organizational changes. As the organization matures, learning becomes progressively more abstract. Members develop ways to use their experience in past situations to develop rules for approaching new ones. As discussed above, organizations thus become more able to interact with their environment in effective, economical ways. They also learn to anticipate and prevent problems before they get out of hand. At some point, organizations even learn about their own learning styles, thus improving the way they conceptualize and structure their adaptive behavior. The rules governing action, learning, and even learning about learning become passed down from generation to generation. New employees benefit from the experience of old ones, and new blood can be infused into the organization to improve its learning capabilities.

The area of organizational learning is helpful to executives in a variety of ways. The literature suggests that organizational leaders need to be aware of: 1) what they have learned about the environment and their adaptive responses to it, 2) how they can use this information to work as proactively as possible, 3) how they have learned and continue to learn about the environment and adaptation (i.e., their learn-

ing style), and 4) how information of this nature is communicated among critical decision-makers of the organization and handed down from generation to generation of employees. Wherever possible, executives should strive for higher organizational learning levels. The more they are in a position to know how their learning style affects the adaptive capabilities of the organization, the better off they will be.

Organizational growth. Other contributions to the field of organizational adaptation have come from writers interested in organizational growth. Most notable of these are Starbuck (1965, 1971) and Haire (1959). Other writers such as Filley et al. (1969), Greiner (1972), and Perrow (1961), who have discussed stages of corporate growth, provide some useful information as well.

The growth of organizations has many effects on their adaptive processes and capabilities. At a basic level, growth itself is usually a highly adaptive response. Larger organizations have greater visibility, larger relevant publics which depend upon them in one way or another, and longer successful histories of learning how to deal with their environment. Thus, they usually have more leverage and control over outside contingencies.

While growth is generally positive for organizations, it can lead to problems. Growth expands and complicates the demands placed upon organizations, necessitating more sophisticated ways of processing and balancing demands, and structuring the organization. As size increases, organizational structures must be adjusted qualitatively to accommodate the increased load. Also, growth and restructuring can be difficult for

members of the organization (as are most such organizational changes). Growth which is not done carefully or slowly enough can lead to many internal problems.

Organizations grow and mature through several relatively discrete stages. During earlier, more entrepreneurial ones, firms must be aggressive in their procurement of resources and careful in their external relationship building. Close attention must be paid to detail and quick adjustments must be made to uncertain circumstances. As the organization matures and grows in size, internal structuring control, and information processing become more crucial. The firm must be able to approach the environment in a clear, coordinated way. As the organization becomes larger and more stable, it becomes easier for members to deal with the environment. The organization has greater experience in handling similar situations (improved learning at all levels), greater leverage in impacting the environment proactively, and a less frantic, more relaxed and stable way of approaching environmental changes. Not only does the environment become relatively more stable over time, but it is increasingly perceived as being more stable because of organizational members' increased experience and confidence.

As organizations mature through different stages, Perrow (1961) notes that new groups of organizational members move into prominence to handle the particular problems which arise. He uses hospitals as an example. In a hospital, the early, entrepreneurial stage is characterized by the dominance of trustees, who are active in the community and able to help the organization acquire needed resources and support. Once the hospital is established, physicians and other technical staff gain power

as the organization struggles to develop quality services. Following this stage, problems of internal efficiency become important and the organization looks to professional administrators for help. Efforts are made to fine tune operations and improve the ways in which technical and human resources are utilized. Perrow notes that in the advanced stages of organization, various coalitions of internal members come to the fore depending upon the organizational problems at hand. Internal skills and resources are used flexibly depending upon environmental demands and organizational needs.

It is important for executives to understand the impact of growth on organizational adaptation. As organizations grow and mature, their adaptive capabilities are enhanced as outlined above. However, the process of growth necessitates many internal changes. Internal operations must be adjusted accordingly or the firm can run into serious trouble. Executives need to be aware of their organization's relative stage of growth, the types of problems most associated with it, and ways to move to greater maturity in tune with their environment.

Contingency theory. A number of writers have examined the characteristics of organizational environments along different dimensions to determine their effect on organizational functioning. Such work is usually used within a contingency approach to management whereby organizations determine the characteristics of their environment and develop appropriate strategies and structures to match them. A variety of dimensions have been used to describe environments, including, among others, complexity, uncertainty, hostility, variability, stability, and diversity

(see reviews of Darran, Miles, and Snow, 1975). Examples may be found in the works of Carlisle (1973), Demerath and Thiessen (1971), Duncan (1972a, 1972b, 1973, 1974), Hall (1972), Jurkovich (1974), and Osborn and Hunt (1974).

Much of the work in environmental contingency theory can be traced to the work of Paul Lawrence and Jay Lorsch in their classic book, Organization and Environment (Lawrence & Lorsch, 1969). They postulated that the environment is best divided up into subsections that are important to the organization (e.g., customers, technology, labor). The organization must then differentiate into subunits that mesh with each particular aspect of the environment. Some environmental sections will be changing and others will be stable. Because of such factors, the various subunits will need different strategies and structures to be most effective. Also, they will need different sets of knowledge and skills related to the unique characteristics of their environmental subsection. Organizational success is dependent upon a successful process of differentiation to the environment and integration of the various subunits which are formed. (See the Organization Design section for additional discussion of Lawrence and Lorsch.)

Recent work in this area has taken a variety of paths. Some authors such as Duncan have chosen to work with a particular environmental dimension exploring its impact on organizational structures and decision-making. Others such as Jurkovich have attempted to examine the interplay of several dimensions on organizational functioning, developing matrices to help managers sort through the complexity of contingencies and response alternatives. The findings of such studies generally

note that as environments become more complex, uncertain, and changing, the manager's job is made more difficult. Operations, tactics, and decision-making must be flexible to keep pace with changing demands. Exceptions become the rule, and organizations must be designed to accommodate and structure such ambiguity.

There are disagreements in the literature, however, as to what strategies and structures are best to employ in given environmental situations. For example, in some uncertain situations people would argue that it is best for the organization to develop stable structures and "ride out the storm" of changing environmental conditions. Others might argue that it is better to operate flexibly and change as needed to meet outside demands. Even though further research might clarify such difficulties, many have felt that it is impossible to develop a contingency model with hard and fast rules. While it is important to understand different features of organizational environments and their potential effects on organizational functioning, it is impossible to make broad generalizations from these as to how organizations should always respond. Rather, it is important to understand how particular organizations with particular styles of operating can best respond to improve their positions in particular environments, under specific situations. The key for executives is to become more adept at understanding 1) the environmental conditions and situations in which they become involved, 2) the strategy and structure options available to approach them, and 3) the ways they can continue to improve situations even if their initial adaptive responses have not been the best.

Business policy and environmental scanning. Work in the business policy and environmental scanning literature has been somewhat helpful in this regard. These areas have focused on the role of top management in searching their environment for opportunities and threats, and formulating and implementing strategies to successfully exploit or avoid them. Much that has been written offers practical advice to managers in the field. Conceptual models and specific techniques are discussed. Useful information can be found in the works of people such as Aguilar (1967), Hofer (1976), Mintzberg (1973), Neubauer and Solomon (1977), Organ (1971), Segev (1977), Thomas (1974), and Vancil (1976).

All of these writings emphasize the importance of searching the environment for data to use in strategic planning. Of particular concern are data which will help management control the variables which affect the long-run success of the organization. Data are needed about events of current and immediate concern, those likely to impinge in the near future, and those which are more speculative and should be monitored to see if they will grow in importance. Organizations must keep abreast of the general context in which they operate, including such matters as social, political, and economic conditions, and technological advancements. Also, they must be aware of their immediate environment, including such elements as customers, competitors, suppliers, markets, regulators, labor pools, and other groups which directly or indirectly affect their incoming flow of resources. Surveillance of these groups should include a search of both threats and opportunities. Wherever possible, the organization should strive to develop an understanding of the complexity of interrelationships between itself and different environment

components, and among the components themselves. Past, current, and future trends should be considered in these relationships. For example, it can be helpful to anticipate the reactions of various environmental groups to the implementation of a specific endeavor such as a contract with another agency. Allignment with this agency may be perceived positively by some and negatively by others. Interactions among the organizations may result in the development of significant coalitions for or against the focal organization.

Environmental data can be collected in a number of ways by various people in the organization. It can be done formally as in market surveys, demand forecasts, and research studies, or informally by organizational members during their everyday interactions with people. Surveillance can be directed toward answering specific questions, or be undirected and opportunistic. The choice of mode depends upon 1) the scope or magnitude of the issues involved, 2) the urgency or timeliness of the issues, 3) the extent to which a problem exists, 4) the extent to which information needs are readily definable, and 5) the relationship of the issues to long-range planning. The choice of mode also depends upon the adequacy of existing information, the availability and predictability of additional data, and the time and energy which can be devoted to scanning. In general, personal sources of data exceed impersonal sources in their importance and are used more in crucial situations. Such sources are important because of 1) the opportunity to interact with the source and thereby to focus the source message upon a specific information need, 2) the possibility of validating the reliability of human sources, and 3) the off-the-record nature of talk as contrasted with print (Kee-

gan, 1967).

Critical to the collection of personal sources of data are "gatekeepers" or "boundary spanners" of the organization. These are people who frequently interact with environmental constituents, communicating important information outward in the implementation of organizational objectives, and collecting important evaluative and informational data for future internal planning. Boundary spanning roles are difficult and stressful, and require people with particular personalities. Generally such individuals need to be highly verbal, bright, retentive, extraverted, flexible, and politically sensitive (see Katz and Kahn, 1966; Organ, 1971).

Perhaps the most important part of the strategic planning process is how environmental data are used by the organization to develop plans and strategies for impacting the environment. While no one best way has been determined, the business policy literature does offer some useful suggestions. First and foremost, the literature suggests that the support of top management is crucial to the successful use of environmental scanning data. Top managers must facilitate a process for integrating such information into the organization's decision-making and decision-implementing apparatus. Such organizational decision-making must fall within a system of long-range planning and objective-setting. Plans for short-range objectives and crisis management should be consistent with long-range, overall plans. To accomplish this, organizations often adopt a modified "management by objectives" approach (see Ordiorne, 1965). Environmental data are included at key points in the process of formulating and reformulating objectives which fall within the organi-

tion's basic strategic posture. Plans and actions are based on a balancing of internal and external demands.

For environmental data to be truly useful at this point they must have relevance to the plans and decisions being made. Thus, a variety of formal and informal sources should be used wherever possible, and the resulting data should be presented flexibly to those who are to use it. Sophisticated analyses and formal reports are only useful if they have relevance to the decision-making group and situation.

As implied earlier, the organization should strive to develop an understanding of the complexity of its environmental context. In formulating plans and actions, management should strive to understand how such moves will affect key external groups that influence its resource acquisition. In doing so, it is helpful to understand the forces and pressures of other groups on those key organizations. In this way, the focal organization will be better able to predict the outcome of its actions, and thus develop more effective strategies. A few writers have developed structural methods for helping managers plot the impact of strategies on their environmental constituents (e.g., Neubauer and Solomon, 1977). The use of grids and weighted ratings of strategies and environmental groups can be useful in sorting through the systemic complexity surrounding important decisions.

The business policy literature also suggests that the strategic planning process take into consideration the uncertainty and changing quality of today's organizational environment. Planning is needed for potentially devastating events, so that problems can be anticipated and recognized quickly, and contingency plans can be implemented as needed.

Also, the organization must realize that plans and actions may have to be modified to adapt to the changing environment. It is helpful, then, to develop planning options based on anticipation of changing environmental conditions. The best option can be taken at the crucial time, depending upon how external contingencies have developed in the meantime.

As a final note, the strategic planning process should also consider internal organizational matters. The resulting strategies will be most effective when they provide operational guidance to the organization and foster the personal commitment of those who must carry them out. The process should thus fit within a well-thought-out internal management system of supervision and controls that fosters the appropriate inclusion of decision-implementors in the decision-making process.

Organization design. Work in the area of organization design has also been helpful to executives. Such work has examined the different types of organizational structures which are best suited to different types of environments. It should be noted, however, that as was discussed in the section on contingency theory, there are no hard and fast rules which managers can follow. Every mix of environmental factors, technologies, leadership, and personnel are different, and thus necessitates its own structural arrangement. Also, a number of structures can usually be adaptive in the same environment, depending upon how they are implemented by their respective top executives.

An excellent review of basic organization design principles can be found in a recent book by Galbraith (1977) (also see Litterer, 1973). According to the author, organization design involves a continuous moni-

toring and assessing of the fit among the organization's goals, division of labor, interunit coordination, and people. Achieving the most appropriate fit involves a process of strategic-choice whereby executives determine 1) the most appropriate strategy for working in the environment (a choice of domain and goals), 2) the optimal structure for dividing and coordinating subtasks to achieve established goals, and 3) the best methods for integrating individuals into the system (including how best to select, train, control and reward individuals of various backgrounds and styles). Because of each organization's unique attributes, there is no one best way to organize. Several arrangements can be adaptive so long as basic design principles are used in their development.

Much of Galbraith's work is based on concepts developed in the "classical" school of management theory. Here, structural features of the organization are emphasized such as the way work is divided (e.g. specialist or generalist role configurations) and the ways hierarchies of authority are designed to coordinate and control work. Galbraith notes that in hierarchical structures it is important to clarify the nature and authority of manager and worker roles, and to examine such issues as chains of commands and managers' spans of control (i.e. the number of their supervisees). As organizations grow, variations on the basic hierarchy should be considered such as line-staff arrangements (where "staff" specialists outside the chain of command are used to assist staff in "line" production positions), and decentralized structures incorporating departmentalization (where power and responsibility are delegated to units, departments, or divisions).

Galbraith also incorporates important principles from the "people-

oriented" schools of management theory. This school recognizes that an effective organization needs competent personnel who fit the organization and its goals. Thus, provisions must be made to properly select, train, promote, and transfer personnel according to the organization's needs. Of at least equal importance, however, are the needs of employees themselves and the quality of their personal interactions. Thus, attention must also be given to issues such as leadership style, work group development, employee satisfaction and motivation, and troubled employee assistance (e.g. alcohol abuse).

The most important aspects of Galbraith's work concern organizational information and decision processes. He notes that most organizations today exist in uncertain and changing environments, and carry out complicated and diverse tasks. Because of such uncertainty, large amounts of information must be shared among organizational members so that work can be coordinated and effective decisions can be made. Thus, the organization needs to design adaptive structures and mechanisms which insure that accurate and timely information is available to those who need it.

For handling routine, predictable matters, standardized policies and procedures should be developed which delineate the use of regular hierarchical organizational channels. With such procedures written down, routine matters can be handled with little difficulty at appropriately lower levels of the organization. As environmental and task uncertainty increases and larger numbers of situations need individual attention, other devices must be employed as well. Otherwise, too many decisions get pushed upward in the organization overloading top decision-makers and delaying decision making. Galbraith discusses a variety of design alterna-

tives for such situations which either 1) improve the organization's capacity to process information, or 2) reduce the need for information processing itself. Included are the following: 1) improving the organization's planning and goal-setting so that individual effort can be maximized on priority issues, 2) decreasing managers' spans of control so that each supervisor has fewer issues to coordinate, 3) improving lateral relations so that subordinates can process information among themselves, 4) investing in a better information system (e.g. computerized MIS) so that better information can be delivered to those who need it quickly, 5) reducing required organizational performance and developing slack resources so that individuals have fewer complex issues to manage, 6) modifying the external environment to lessen and/or clarify demands which create uncertainty in the first place, 7) adopting a new organizational structure better suited to a complex and changing environment (such as the matrix design discussed later in this section), and 8) moving into a new, more stable market domain with inherently fewer information processing demands.

Other important design issues are discussed by Lawrence and Lorsch (1969). As mentioned earlier, they postulated that effective organizations "differentiate" themselves into subgroups, with each subgroup concentrating on one aspect of the organization's task and environment. Over time subgroups develop differing cognitive points of view that reflect their adaptations to different parts of the environment. For the organization to function effectively, the different functional units must be coordinated in a process known as "integration." Every organization must determine its optimum degree of differentiation and integration in

terms of the degree of turbulence in the different portions of its environment, and in terms of a diagnosis of which functional area gives it a particular competitive advantage. For example, some companies must put effort into new development and therefore concentrate on properties of the technological environment. Others gain advantage in sales and marketing and thus must put effort into a diagnosis of the market situation.

Lawrence and Lorsch found that in diverse, turbulent environments, more effective organizations attained higher states of both differentiation and integration among subgroups than did less effective ones. Greater differentiation is needed to deal with the diversity of demands from the total environment, while a high level of integration is needed to bring together these differentiated groups. Such integration is difficult to achieve and highly dependent on the effectiveness of managers in key integrative roles. People in such roles are generally more successful if they 1) have high influence with which to facilitate integration (functional influence rather than position influence), 2) use open and confrontative conflict-resolving behavior, and 3) resolve conflicts at lower hierarchical levels rather than by pushing them up. Lawrence and Lorsch also found that organizations in more diverse environments develop a number of integrative devices such as cross-functional teams and integrative departments which have as their purpose the achievement of collaboration and integration of effort among subgroups. These function in addition to the basic integrating devices of all organizations such as rules, procedures, and the "paper" system.

In response to issues such as those raised by Galbraith and Lawrence and Lorsch, attempts have been made to develop more generally

adaptive organization designs. One of the more popular of these has been the "matrix organization" (e.g. Kingdon, 1973; Sayles, 1976). The matrix design is intended to allow flexibility within structure so that organizations can carry out temporary projects to adapt to changing environmental contingencies, while maintaining on-going production in more stable areas. Within this system, project teams are developed cutting across relevant organizational subunits to carry out specific time-limited functions. A leader is selected for the project, and is instructed to report to someone in top management who is in an integrative role. Members of the project teams have two supervisors, one who is the functional boss of the subunit from which s/he is drawn, and the other who is the boss of the current work team. When the project is completed, organizational members return full-time to their home-base sub-units, or join other special project teams. Such an organizational design or variation offers interesting possibilities for executives attempting to build adaptive yet stable organizations. It must be considered, however, as only one of many alternatives available to them within their specific environmental systems.

Organizational ecology (the natural selection model). Thus far, the organization has been conceptualized as active in relation to its environment, capable of changing it, as well as responding to its demands. It must also be recognized that there are limitations to the ability of organizations to alter their environment, particularly in the long-run. Writers in the area of organizational ecology have stressed this point in their exploration of a natural selection model of organizational

adaptation (e.g., Aldrich and Pfeffer, 1976; Hannon and Freeman, 1977).

The natural selection model looks at populations of organizations over time to see what forms come and go. In the long-run only those organizations which fit the environment survive. Organizations fail to flourish in certain environments because other "forms", which are more adaptive, successfully out-perform them for essential resources. In the short run organizational leaders formulate strategies, and try to make their environments more munificent. Over time, however, the environment exercises its ultimate dominance, and organizations must conform to fill a comfortable "niche", or they will perish. Larger organizations definitely have a competitive advantage, and collectively exercise strong dominance over most other organizations that compose their environments. But, it must be recognized that even the largest and most powerful organizations fail to survive over long periods.

The natural selection model stresses that executives look longitudinally at their organizations as members of an evolving population. By examining how their population or similar ones have fared and will fare over time, they will be better able to understand the environmental contingencies that maintain and shape their particular forms. Also, they will be better able to adjust their activities to survive in the long run. Large size is an advantage which gives the organization more power over its environment for a longer period of time. Smaller organizations must monitor their environment more carefully, and respond quicker from a reactive position. However, in the long run, even large organizations must bow to the powers of environmental selection.

As organizations mature and evolve, "structural inertia" develop

which limit their self-directed adaptive flexibility. Capital becomes invested in certain facilities, machinery, and personnel which are difficult to alter in the face of changing environmental pressures. Also, often there are legal and fiscal restrictions to entering and leaving various market segments. Managers need to be aware of the limits imposed on their organizations when they choose to operate in certain ways within such markets. This knowledge, coupled with an assessment of the long-range viability of their population, will help them operate more realistically, and consequently more effectively in the long run.

Thus far, several different perspectives on organizational adaptation to the environment have been presented. Recently, two significant books have been written to coalesce and extend this thinking. To date, they represent the most complete work in the area of organizational adaptation. Included are a book by Raymond Miles and Charles Snow, entitled Organizational Strategy, Structure, and Process (Miles & Snow, 1978), and a book by Jeffrey Pfeffer and Gerald Salancik, entitled The External Control of Organizations (Pfeffer & Salancik, 1978). Both adopt the perspective of the organization being in a cyclical relationship with the environment, whereby it is controlled by and in a position to control external contingencies. The following is a brief summary of their work, and some suggestions for organizational leaders based on their findings.

Miles and Snow: A strategic-choice approach. Miles and Snow develop what has been called a "strategic-choice" approach to organizational adaptation. Their effort builds on the writings of people such as Child

(1972), Thompson (1967), Weick (1969), and Perrow (1967), and extends much of the previous work of Miles and Snow (e.g., Darran, Miles, & Snow, 1975; Miles, Snow, & Pfeffer, 1974; Snow, 1976). The approach is founded on the belief that organizations "create" their environments through the perceptions of top managers. While a truly objective environment may indeed exist, management only responds to contingencies it perceives. The environment is created through a series of choices regarding markets, products, technologies, desired scales of operations, and so forth. Such perceptions and choices influence the development of strategies for approaching the environment, which in turn influence the development of organizational structures and processes for carrying them out. Miles and Snow contend that managers attempt to make rational choices in response to a believed objective environment, but that their perceptions are usually imperfect. Their perceptions and resulting strategies are influenced by their styles of operation, and by the organization's past and current strategy, structure, and performance.

In arguing that organizational structure is only partially preordained by environmental conditions, Miles and Snow place heavy emphasis on the role of top decision-makers who serve as the primary links between the organization and its environment. Such individuals are in a position not only to adjust organizational structure and process when necessary, but also to attempt to manipulate the environment itself in order to bring it into conformity with what the organization is already doing or wants to do. Organizational survival and success rest on the quality of fit which management can achieve among such major variables as 1) the organization's product-market domain, 2) its technology for

serving that domain, and 3) the organizational structures and processes developed to coordinate and control the technology.

Miles and Snow view organizational adaptation as a cyclical process having three identifiable phases. These include: 1) an entrepreneurial phase that includes a set of activities initially aimed at identifying problems (opportunities and threats) in the environment, and subsequently used as a basis for defining (or re-defining) a specific organizational domain; 2) an organizing phase that focuses on the development of a technology or process for acquiring needed inputs, transforming them into goods and services, and distributing these to the environment; and 3) an administrative phase that not only attempts to coordinate and control the technological process but also those entrepreneurial activities perceived as necessary for maintaining the organization's continuity in the future. The three phases are most visible in new, rapidly growing, or crisis-oriented organizations where dramatic strategy changes necessitate significant revisions in the organization's structure and processes. In more stable organizations, the administrative phase plays a larger role. Managers in such organizations are most concerned with ongoing work and efficiency. However, they need to protect against becoming too involved in day-to-day operations to appreciate or understand the longer-range needs of their organizations. If new administrative demands are not planned for and met, the organization will become increasingly ineffective and inefficient.

An important part of Miles and Snow's work involves the impact of different organizational styles on the adaptation process. They delineate four styles, each with its own strategies for responding to the en-

vironment, and each with its own particular configuration of technology, structure, and process consistent with its strategies. These include organizations which they call defenders, prospectors, analyzers, and reactors.

Defenders are characterized by narrow product-market domains, and by managers who are highly expert in their organization's limited areas of operation, but who do not tend to search outside their domains for new opportunities. These organizations seldom make major structural adjustments. Their strength comes from an in-depth understanding of their operational area, and an ability to work efficiently.

Prospectors, on the other hand, almost continually search for market opportunities, and regularly experiment with potential responses to emerging environmental trends. They are usually not completely efficient, but build competitive advantage from innovations and their ability to exploit new market areas. They also create change to which their competitors must respond.

Analyzers fit somewhere between the other two styles, operating in two types of domains, one stable and the other changing. In stable areas, they operate routinely, striving for efficiency. In more turbulent ones, they try to keep pace with competitors by quickly adopting innovative ideas which appear most promising. While they are not innovators themselves, they are competitive by maintaining flexibility to new ideas. They also maintain increased safety by operating in some stable areas, and by investing in less risky new ideas.

Reactors are organizations with the least effective adaptive style. They perceive change and uncertainty in the environment, but are unable

to respond as quickly or effectively as needed. They generally lack a consistent strategy-structure relationship, and because of this, seldom make adjustments unless forced by environmental pressures. This inconsistency and resulting instability is generally due to: 1) management failing to articulate a viable organizational strategy, 2) a strategy being articulated, but technology, structure, and process not being linked to it in an appropriate manner, or 3) management adhering to a particular strategy-structure relationship even though it is no longer relevant to environmental conditions.

Miles and Snow note that organizations with the first three styles can be equally effective in similar environments if they capitalize on the strengths and protect against the weaknesses of their particular style. The organization must develop a set of "distinctive competencies" that allows it to maintain itself and compete aggressively in its industry. Strengths are bolstered by placing certain specialists in key executive slots, and by shaping the organization's structures and processes to enhance strengths and minimize weaknesses related to its style. In order to prevent problems, organizations need to: 1) know their style in comparison to other organizations in their industry or group, 2) understand the strengths and weaknesses usually associated with that style at different points in the adaptive cycle, 3) set appropriate learning targets for capitalizing on their strengths and reducing the impact of their weaknesses, and 4) periodically examine the consequences of their adaptive patterns and strategies. Examination of this nature is facilitated by an openness to outside information through such sources as external consultants and outside board members.

Organizations which operate as reactors generally have serious problems which jeopardize their continued viability. They must carefully reexamine their approach, and develop a style which allows for a better mix of strategy, structure, and process within their given environment. Generally, this requires at least an outside consultative intervention, and often necessitates a change in leadership and staffing.

In sum, the Miles and Snow work is significant in that it explores the impact of different organizational styles on the adaptation process, and shows how similar environmental contexts can be handled effectively by different types of organizations. The authors impress upon leaders the need to understand the strengths and weaknesses of their organizations' styles in the environments in which they are situated. In their book, Miles and Snow provide examples of such strengths and weaknesses and explore how dysfunctionalities associated with the various styles can be improved.

While Miles and Snow concentrate on the impact of organizational style on the overall adaptation process, Pfeffer and Salancik emphasize the adaptive strategies and mechanisms available to all organizations regardless of their style. Implied is that organizations can choose those options which are best suited to their environmental context and stylistic preferences. Their work, which will be discussed below, is very helpful in providing concrete examples of ways that executives can manage their organizational environments.

Pfeffer and Salancik: A resource dependence perspective. According to Pfeffer and Salancik (1978), the key to organizational survival is the

organization's ability to acquire and maintain needed resources from its environment. Thus the effective organization is one which satisfies the demands of groups in its environment which directly or indirectly control its resource acquisition. Unfortunately, the density and interconnectedness of today's interorganizational fields make it difficult for organizations to respond effectively to all necessary demands. Demands are often complex, diverse, and conflicting such that compliance can lead to problems which constrain future adaptive flexibility. Paradoxically, as the organization tries to manage its interconnectedness with other groups, it often increases its interconnectedness with and dependence upon them. For example, the organization may enter into a long-term contract with one firm to assure a steadier flow of revenue. While this act increases the certainty of funding, it also necessitates increased involvement with the firm, and stronger weighting of its interests in future decision-making. Also, depending upon the firm's values and reputation, allegiance with it may influence the acquisition of future contracts with other firms. Thus the organization's decision-making world is made more complex.

Pfeffer and Salancik suggest that wherever possible, within the limits imposed by environmental contingencies, organizations should attempt to manage the environment in ways which loosen dependencies rather than increase and tighten them. Direct compliance with demands may or may not be in the long-term interests of the organization. Rather, it may be more advantageous to manage demands without necessarily satisfying them, thereby providing the organization with the discretion it needs to attend to those demands which cannot be ignored. For example,

with less important groups, it may be possible to avoid processing their demands until over time they diminish. Also, nondisclosure of what each group is actually getting can be a strategy employed to lessen the demands of other groups. A group is satisfied relative to what it expects to get, and by keeping everyone uninformed of other negotiations it may be possible to make them all feel they are getting relatively the best deal available. Pfeffer and Salancik note that conflicting demands are particularly difficult with which to comply directly. In response, organizations can attend to the demands sequentially so as to lessen their conflicting nature, or they can try to play the groups off one another explicitly, removing themselves from a battle which more appropriately belongs to the external groups alone.

While managing and balancing demands as they occur will forestall some problems, the most effective way of avoiding the constraints of external demands is to avoid the conditions which demand compliance in the first place. Pfeffer and Salancik note that organizations use a variety of tactics to this end. These include: 1) controlling demands (i.e., manipulating environmental factors which make it easy or not for demands to be expressed, or setting up situations for demands to be expressed when and how the organization wants them to be), 2) controlling the definition of satisfaction (i.e., defining themselves when the outsider's request has been satisfied), 3) controlling the formation of demands (i.e., involving themselves with other groups who set standards or regulations, or using advertising and promotion to shape beliefs and demands regarding the organization's products), 4) using discretion in defining the organization's capabilities of meeting demands (i.e., avoid-

ing certain demands by stating that it is impossible legally, technologically, or fiscally to comply with the demands being made), and 5) controlling the visibility of behaviors and outcomes (i.e., making its behavior difficult to observe, thus putting it in the prime position to interpret its activities to various potentially disgruntled groups).

Pfeffer and Salancik continue in their book to describe a number of other ways that organizations attempt to manage and avoid dependencies. These include the following strategies:

1. Marketing. Through this strategy, the organization assesses the needs of the marketplace, and then adapts its products and activities to fill some of these needs. The organization can adapt its structure, its information system, its pattern of management and human relations, its technology, its product, its values and norms, or its definition of the environment.

2. Buffering the organization against possible instability. As discussed earlier, organizations need "slack" to guard against the instability of rough economic times. Organizations develop this in various ways such as: 1) developing inventories and cash reserves sufficiently large to permit operation during scarce times, 2) developing long-term contracts for input and output transactions, 3) joining larger, more stable organizations, and 4) diversifying their resource dependence from one exchange to several possible ones. Diversification is particularly useful even though it leads to more interest groups and potentially more conflicting demands on the organization. Because the demands are dispersed, their individual importance is diminished. Furthermore, by differentiating the organization into loosely coupled subunits, each

of which deals with special environmental concerns, and each of which is only slightly interdependent with other organizational subunits, the organization can further lessen the importance of individual demands. Thus, while the organization is still highly dependent upon the environment, the interdependence is altered so that it becomes more manageable.

3. Growth (through merger and direct capital investment). As discussed earlier, growth can have adaptive advantages for organizations. Growth can occur by organizations acquiring other firms (i.e., merger), or through direct capital investment. Merger is inspired by the need to coordinate environmental factors and reduce environmental uncertainty. Mergers can take place vertically (backwards or forwards in the production process), horizontally (in order to acquire competitors and reduce competition), or by diversification (in order to increase domains in which the organization can operate, acquire unrelated yet profitable firms, or reduce dependence on a single resource exchange). Growth through direct capital investment is done to increase the organization's market power, to increase its stability and certainty, to develop increased and more important relations in the community, and to create cushions against organization failure.

4. Interorganizational coordination. While growth through merger or direct capital investment provides greater absolute control over the environment, it involves substantial organizational commitment. Interorganizational coordination, on the other hand, provides less control, but offers more flexibility because of the voluntary nature of linkages. Such linkages provide the organization with several benefits, including the following: 1) they provide channels for the collection and trans-

mission of important communication about activities which affect the focal organization; 2) a linkage and the exposure it provides is an important first step in obtaining commitments of support from important elements of the environment; 3) the interorganizational link can help legitimate, and add prestige to the organization; and 4) linkages facilitate the development of social bonds which lead to more trusting, stable, and predictable interorganizational relationships.

Interorganizational linkages can range in their degree of formality, including everything from informal agreements to contractual agreements to highly formalized coalitions with centralized structures of authority and information such as trade associations (e.g., American Psychological Association), cartels (e.g., United Fund, OPEC) and joint ventures. Generally, all are based upon and maintained by some form of perceived mutual need. Mechanisms for facilitating such linkages vary, and include among others, interorganizational meetings, director interlocks, and proscribed policies.

5. Cooptation. Another method of gaining control over the environment involves placing representatives from key environmental groups on advisory committees, boards of directors, or even to positions within the organization itself. Such action allows the organization to access resources, exchange information, develop interfirm commitments, and establish legitimacy. For example, boards of directors may be selected to provide added management talent, or because of their links to potential sources of support. Also, members of antagonistic outsiders may be brought in to win them over and increase the support of other outsiders with similar beliefs. Because management controls so much information

that gets to the board, they can see to it that board members (who are only associated with the organization on a part-time basis) have little real decision-making power. However, to the outside and even to themselves, board members have the appearance of making or influencing decisions. Thus, they can serve as valuable figureheads and supporters of the organization, while essentially, they are kept out of the way by top management.

6. Legitimation. Legitimation is the process by which an organization justifies to a peer or superordinate system its right to exist, and its worthiness of receiving resources. Legitimacy is a conferred status highly bound up with social norms and values, and closely related to economic viability. If objections are raised by groups regarding the acceptability of an organization, the problem of legitimacy will be a function of how widely the objections are dispersed and whether sufficient interest is generated to support the opposition. If objections are too strong, the firm's economic viability will be jeopardized.

As with other social norms, legitimacy is highly ambiguous and open to considerable influence. Pfeffer and Salancik suggest that organizations need to be aware of how legitimacy is manipulated both for and against their advantage.

Social support can be maintained only if the organization is able to argue convincingly that what it is doing is just and worthy. The problem is very similar to that of advertising where the buyer must be convinced that the product will provide the experiences desired. The organizational strategist needs to convince outsiders that the organization and its actions are related to socially acceptable values.

7. Government regulation. When faced with otherwise unmanageable interdependence, organizations seek to use the greater power of the larger social system to eliminate difficulties or provide for their needs. In addition to manipulating social legitimacy, organizations often get involved in the political arena of government. Organizations or groups of organizations with similar problems can call on government to provide 1) direct cash subsidies, 2) actions affecting the restriction of entry by rivals, 3) actions that will affect substitutes or complements, and 4) management of competition by legally fixing prices. Government regulation can have large impact on systems initially, and is thus quite attractive in difficult times. Later, however, its impact is usually lessened and the oftentimes cumbersome procedures which accompany governmental action are difficult to change if the environmental situation which necessitated them changes. Also, political activity is time-consuming and risky. Efforts can backfire if opposition is stirred up before support can be mobilized. Thus, government regulation is generally used more as a last resort in environmental manipulation.

8. Executive succession. Pfeffer and Salancik (as do Miles and Snow) place considerable emphasis on the role of top executives in organizations. Because of their critical linking role to the environment and coordinating role internally, executives are in a key position to influence and be influenced by organizational adaptation. Environmental contingencies affect internal power distribution, internal power affects changes in top executives, and changes in executives, through their effects on training, frames of reference, and information, come to affect organizational behavior. Executive succession thus is an important pro-

cess by which organizations become aligned with their environments. For the organization to be effective, executive succession must occur as needed to allow the organization to alter its adaptive stance. Power cannot be institutionalized around a particular leader's style, if it has outlived its usefulness. Also, a change in leadership can serve as an important symbolic gesture to the environment that needed internal changes are indeed taking place.

In sum, Pfeffer and Salancik present a graphic picture of the ways organizations attempt to manipulate their environments so as to increase their control and improve their chances for survival. While many of these fall outside the limits of what might be considered ethical behavior, they are all strategies of which the organizational leader should be aware. If nothing else, they represent examples of survival behavior the organization is likely to face from other firms in its environment.

Pfeffer and Salancik suggest that it is important for the executive to understand the system in which the organization is embedded, paying particular attention to those groups which significantly impact resource acquisition. Furthermore, it is important to understand the context of those actors, so that forces can be brought to bear on them which will make them respond more favorably to the organization. Given this perspective, there are a variety of mechanisms available to organizations to lessen their dependencies and make their environments more manageable in the long-run. These range from methods of compliance or noncompliance with immediate demands, to the proactive shaping of environmental forces so as to lessen demands in the future.

As do Miles and Snow and others discussed earlier, Pfeffer and

Salancik place considerable emphasis on the organization's attentional and information processes. The organization adapts to the environment it perceives, and thus must develop a scanning system which serves its best interests and provides as accurate information as possible. The organization must be careful not to: 1) misread interdependence (i.e., the complexity of their environment), 2) misread demands, 3) become too invested in adaptive responses of the past which have outlived their usefulness, and 4) ignore the complexity of conflicting demands. To avoid such problems the authors suggest a scanning and decision-making structure which: 1) ascertains what resources are critical to the organization and what groups affect their acquisition, 2) weighs the importance of these different interest groups, 3) determines the belief by which each group evaluates the organization (and I would add the forces which affect the group's beliefs and behavior toward the organization), and 4) assesses the impact of different actions on the network of interest groups in the environment. With such a system in place, the organization will be better able to plan activities and manage its environment in an effective manner.

Organizational adaptation: Suggestions for the executive. In the preceding pages, several different perspectives on organizational adaptation to the environment have been presented. While much of the literature explored is theoretical in nature, it does offer useful information to executives who are concerned with the effectiveness and survival of their organizations. The central thesis of this work is that today's organizations must adjust to the complex and turbulent nature of their

external environments if they are going to survive. Organizations are embedded in an environment of other organizations and groups which place demands on them in exchange for needed resources. The organization must develop (and adjust as necessary over time) structures and processes which will allow it to successfully manage external demands and acquire needed resources. While such adaptation often requires a reactive stance, long-range success and survival necessitate management's working proactively to at least anticipate and hopefully alter environmental contingencies. Wherever possible, within the limits of external constraints, managers should try to act on their environments to make them more controllable and munificent.

The first step to successful adaptation involves management understanding the complexity of the environment in which the organization is embedded. The organization responds only to the environment that it perceives, and thus it is important that attentional processes be developed that yield an accurate and timely picture of the environment. Data are needed about both opportunities and threats, to be used in current activities and future planning. Particular attention should be given to groups which directly or indirectly control key organizational resources. Wherever possible, the organization should strive to develop an understanding of the complexity of interrelationships between itself and different environmental groups and among the groups themselves. It is important to understand the forces operating on outsiders which influence their attitudes and behavior toward the organization. This will not only help management respond more appropriately to their demands, but will help the organization develop strategies for altering the en-

vironment to make it more munificent. A longitudinal or historical perspective can be very helpful in such an analysis, where the impact of past or anticipated organizational actions on the environment is analyzed over time.

Environmental data can be collected in a number of formal and informal ways by various people in the organization. While formal studies such as market surveys and demand forecasts can be helpful, the most important data are usually collected from personal sources by individual gatekeepers in the organization. It is important that such information be collected carefully within the framework of ongoing organizational strategies. It is also important for data collection to be integrated closely into the organization's decision-making and decision-implementing processes. Some organizations have found a modified "management by objectives" approach to be particularly helpful here. Under such a system, long-range organizational objectives are established, based upon knowledge of the environment. Short-range objectives, crisis responses, and further data collection are carried out from within the framework of this overall plan. As environmental contingencies are reassessed over time, plans are evaluated and adjusted as necessary. In more turbulent environments, it is usually helpful to develop planning options based on anticipated environmental changes. Options can be rank-ordered in the plan and the most attractive alternative can be carried out at the crucial time, depending upon how external contingencies have developed since the plan was created.

Once the environment is known, executives have a number of strategy and structure responses available, depending upon their styles, the na-

ture of their operations, and the environmental situations in which they find themselves. They have much room to work proactively to improve their situations as long as they understand 1) the strengths and weaknesses of their adaptive style, 2) the limitations imposed by environmental constraints, and 3) the ongoing impact of their adaptive responses over time.

With respect to structure, there are no cut-and-dried adaptive solutions. Every mix of organizational and environmental factors is different and requires its own structural arrangement. Plus, a variety of structures can usually be effective in the same environment, depending upon how they are implemented by their respective top executives. Some basic principles can be kept in mind, however. For example, it appears that the organization must find an optimum degree of differentiation and integration with respect to the environment so that competing and often-times conflicting demands of different groups can be managed. The organization also needs mechanisms and "slack" which can buffer it against the shock of environmental disturbance, facilitate appropriate information processing, and allow it to function as stably as possible in situations of uncertainty. Some organizations in highly turbulent environments have opted for "matrix" designs to help them maintain flexibility within a relatively stable, buffered organization.

It also appears that growth in size can help organizations be more adaptive. Larger organizations generally have more market power, greater visibility, larger constituencies for support, and longer successful histories of learning how to deal with their environments than do smaller ones. Also, through diversification, they can lessen their resource

dependence on any one particular group. Thus, by growing in size, the organization can have more leverage and control over external contingencies. However, growth and diversification can cause major internal coordination problems if they are not carefully controlled and planned. Organizations grow through different stages, each of which creates its own set of tensions. Increased size requires internal structural changes to accommodate the increased load, particularly in the areas of information flow and delegation of authority. Managers need to be aware of their stage of growth, the type of problems most associated with it, and the ways they can facilitate movement towards greater organizational maturity in tune with the environment.

Given their structure, organizations have a number of options available for managing external demands. In response to immediate situations, managers must be able to sort through demands as they arise, determining which ones the organization should comply with, and which ones should be managed without necessarily being satisfied. Such responses depend upon the organization's overall strategy and style, the importance of the outside group and its demands, and the effect a response will have on the organization and its overall environment.

While managing environmental demands as they occur will forestall some problems, executives will be more effective in the long run if they act on the environment so as to avoid the conditions which demand compliance in the first place. As described earlier, a number of tactics are available to executives. These include among others the following: 1) manipulating factors which influence the expression of demands, 2) controlling the definition of how a demand is to be satisfied, 3) mani-

pulating factors which control the formation of demands, 4) using discretion in defining the organization's capabilities of meeting demands, and 5) making the organization's behavior difficult to observe and interpret without help from the organization itself. Also available are a number of overall strategies for gaining more control over the environment. These include such activities as the following: 1) purchasing (or merging with) other organizations which control or compete for important resources, 2) developing coordination agreements, contracts, and formalized coalitions with other significant actors in the environment, 3) coopting outsiders by placing their representatives on advisory committees or boards of directors, 4) manipulating social legitimacy and support through such means as advertising and showing allegiance with already accepted groups, and 5) lobbying alone or with others for governmental intervention and/or regulation.

Over time, as the organization responds to its environment, it is important for executives to reflect upon and learn about their organization's adaptive behaviors. At one level, they need to learn what organizational responses are most effective for managing demands from key groups in their networks. At a more complex level, they need to reflect upon and improve their overall adaptive and learning postures, taking into consideration their stylistic strengths and weaknesses within the environments in which they are embedded. External consultants and outside board members can be extremely helpful in this self-evaluation process as they are removed from day-to-day activities of the organization.

As a final note, executives should be aware that such analyses may reveal that changes in executive leadership are required to alter the

adaptive style and public image of the firm. Unless they can remain flexible in their positions and open to needed stylistic changes, they should be prepared to move on for the long-range good of everyone involved. Executive succession can be a natural and important part of an organization's long-range adaptation.

Summary. This chapter has included a review of the business management literature on organizational adaptation to the environment from the perspective of the executive in the field. While the literature is largely theoretical in nature, it does offer useful, practical information to leaders concerned with the survival and effectiveness of their organizations. The literature suggests that organizational success depends upon the effectiveness by which organizations adapt to the demands of outside groups which control resources they need. Executives must develop mechanisms for accurately scanning their environments, and use the resulting information to develop improved processes and structural arrangements for managing external demands. A variety of options are available to this end, depending upon the executives' styles, the nature of their operations, and the environmental situations in which they find themselves. As much as possible, within the constraints imposed by environmental contingencies, executives should attempt to proactively change their environments to make them more munificent. A variety of strategy options were presented for such long-range planning, as well as for responding to everyday demands and crises. It is believed that this theoretical perspective and the strategy options presented can be helpful to the executives of CMHC's who are struggling with the problems of self-

sufficiency. The remainder of this paper includes an application of this work to their situation.

CHAPTER III

THE PROBLEM OF SELF-SUFFICIENCY:

A MANAGERIAL APPROACH TO CMHC ADAPTATION TO THE ENVIRONMENT

The preceding chapter presented a conceptual approach to adaptation for executives concerned with the survival and effectiveness of their organizations. Although this approach is based largely upon work with businesses, it is highly applicable to the problems facing today's community mental health center. As larger numbers of CMHC's graduate into self-sufficiency, their survival increasingly depends upon effective management of the complex environment which controls their resources. While the CMHC's environment and the demands it presents are different than those of businesses, they must be understood and coped with just the same. All organizations must acquire needed resources and process them for export, whether they are concerned with making a profit or performing a public service. Differences in environment, task, technology, and style affect the manner in which organizational survival and effectiveness are engineered, but the process of adaptation should be quite similar.

Thus, CMHC's are enough like businesses that we can learn from the experiences of writers in this area. CMHC's are different, though, and as we apply the literature, we must recognize their unique characteristics. Through careful application of the concepts, and close examination of the issues which emerge, much can be learned by CMHC administra-

tors and theoreticians alike.

The literature on organizational adaptation suggests a process whereby center directors look outward to their environments to improve their organization's survival capabilities. Mechanisms should be developed to scan the environment for opportunities and threats, and understand the complex interdependencies which affect resource acquisition and organizational performance. The resulting data should be integrated into centers' decision-making and decision-implementing mechanisms for use as needed to alter organizational structures and processes. The system must allow for short-range responding and crisis-coping within the framework of long-range plans and objectives. Given their particular environments and styles of operation, center directors have a variety of proactive and reactive alternatives for improving their centers' adaptive positions. Over time, to be truly effective, they should also develop methods for their centers to reflect upon and learn about their adaptive styles and behaviors.

More work is needed to understand the specific ways center directors, as the executives of this distinct type of organization, should approach the process of adaptation. In particular, research is needed to identify various strategy options from within this framework which are used by successful center directors, and may be employed in one fashion or another by other centers approaching graduation. Research of this nature should be based on an understanding of the unique organizational characteristics of CMHC's. The remainder of this chapter includes an analysis of such characteristics as they influence the process of CMHC adaptation to the environment. Using this analysis, it is possi-

ble to anticipate how center directors might best carry out the process of adaptation in their particular settings. From this beginning, a study of CMHC adaptation can be developed to give center directors more specific ideas as to how to develop their organizations.

The External Environment of CMHC's:

An Exploration of Key Dependencies

As discussed by Steiner (1977), a major difference between businesses and human services such as CMHC's is the manner in which resources are obtained. Businesses get support directly from the people who receive their products or services, while agencies such as CMHC's receive their money primarily from a secondary or public source. Thus, an indirect relationship exists between the consumer and provider, where a third party pays for the service. Survival does not depend directly upon who is serviced as it does in businesses, but rather upon the third party who pays the bills. If there is no ready consumer market for the agency's services, they still may be purchased if the third party perceives them to be important. In businesses, on the other hand, services for which there is no need are eliminated more directly. Thus, resource acquisition is a more complicated process in human services and it is more difficult for agencies to get precise feedback on the usefulness and viability of their services.

In addition to funding sources, other groups usually become involved in CMHC funding decisions, adding to the environmental complexity already there. Community participation in decision-making is encouraged in human services, and a variety of outside interest groups often become

involved in the process. Funding source perceptions of service needs and quality of care are open to considerable influence because of the ambiguity and unsophistication of human service work. Thus, outsiders can have significant impact on decisions which are made. While outside input probably leads to better services in the long run, it creates increased interdependencies for the center director to manage in the meantime. Resource acquisition often becomes a highly politicized process involving several environmental actors which must be taken into consideration.

During the early years of operation, CMHC's are somewhat protected from this environment, as the majority of their funding comes from the federal government. At this time, their primary concern is satisfying NIMH requirements. Secondly, they must satisfy the demands of state and local officials, and interest groups which sign off or influence federal funding decisions. Also, they must monitor general public opinion and legislative activity which ultimately affect allocations to NIMH and their area. In particular, it is important for center directors to understand how federal funding decisions are made and what interest groups are involved in the process.

As the center lessens its dependence on federal support and expands its funding base, other environmental groups increase in importance. The exact nature of these groups and their interrelationships depend upon the specific CMHC and its area. However, many general groups seem to be important to most CMHC's. As discussed in Chapter I, these include: 1) state mental health and human service departments, 2) local and county government offices, 3) third-party payors such as medicare/

medicaid, health maintenance organizations, and private insurance companies, 4) other federal granting offices, 5) philanthropic organizations, and 6) private industries and labor unions. Center directors must be aware of the availability of money from such groups and the demands which will be placed upon the CMHC in exchange for funds. These demands are influenced by factors such as the groups' perceptions of the CMHC and their interrelationships with other influential environmental actors. Unfortunately, the interrelationships of funding groups are complex and uncoordinated, such that they often impose conflicting demands on the CMHC. For example, medicaid may impose different qualifications for outpatient services than does NIMH. Often these groups are not integrated properly in the government bureaucracy, and because of this, lack information about each other's activities.

A key interrelationship for the CMHC to monitor and understand is that involving federal, state, and local mental health authorities. As described earlier, CMHC success and survival was intended to be insured through a partnership of these three influential groups. The exact manner in which this partnership is, or is not, implemented is crucial to the center's long-range survival. These groups control substantial resources for the CMHC's themselves, and indirectly are instrumental to the acquisition of resources from other groups.

Because of the CMHC's public service mandate and increased dependence on fee-paying and third-party reimbursable clients, citizens are also an important environmental component. The center must be visible and respected if it is to receive referrals, generate client income, and remain in the graces of funding sources. Citizens exert influence at

all environmental levels, from the legislature to the individual program. In California, for example, citizen reaction against high taxes and costly human services led to legislative budget cuts which have significantly affected service delivery (i.e., "Proposition 13"). At a local level, neighborhood groups have influenced decision-making to close poorly run or controversial programs.

Public opinion can be expressed in a variety of ways through a number of different groups. Of particular concern is the interplay of such groups with the media. Newspapers, radio, and television exert more and more influence on decision-making in our culture, and because of this, are an important environmental component of public service agencies such as CMHC's.

Also important are other agencies with which the center must work on an everyday basis. Through the federal regulations, CMHC's are mandated to be a coordinating influence on mental health services in the community. Thus, to receive federal sanction and funding, they must cooperate and work with other agencies. As side benefits, they can receive help in providing needed services to their clients and can develop potential allies to secure additional service money for their area. On the other hand, local agencies serve as potential competitors for scarce mental health resources. They can take away current clients or funding, and can compete for new money coming into the area. It is important for center directors to understand the cooperative and competitive dynamics of their relationships with other community agencies, both as they affect the CMHC goal of service coordination and as they affect their center's movement towards self-sufficiency.

Several other environmental groups can be important to the long-range success and survival of CMHC's. Included among others are individuals and groups which affect the acquisition of needed resources such as staff and technological expertise (e.g., educational institutions, professional and trade organizations, volunteer groups, and consulting firms). At least some attention should be paid to these groups in addition to funding sources if the CMHC is to be successful and innovative.

In sum, CMHC's have a complex, highly politicized environment of interdependent groups which directly or indirectly affect their resource acquisition and service provision. Center directors need to develop an accurate understanding of key environmental contingencies in their area, taking into consideration the actual and potential impact of various groups on the CMHC. In doing so, it is important to understand the forces which influence outsiders' behavior towards the center. By understanding the forces which shape contingencies they will be better able to change them to the CMHC's advantage. As discussed in Chapter II, a longitudinal perspective can be helpful in such an analysis. It is expected that successful center directors develop such a perspective to understand their organizations' environments.

Environmental scanning. Data from the environment can be collected in a variety of formal and informal ways. As discussed in Chapter II, information collected informally is generally more valuable to organizations, particularly in crucial situations. Formal mechanisms do have some utility, however, and are probably not used as much as they might be in CMHC's. For example, structured needs assessments and trend analyses

can be used to determine which services are needed currently and in the future in a particular area. Data can be collected about the acceptability of services and the availability of funds for them. From this, long-range plans can be devised for program development and potential funding sources can be made aware of the community's needs. Also, "marketing surveys" can be conducted for developing contracts with local industry and other potential direct-pay consumer groups. For example, consultation and education workshops can be designed and priced to meet the needs of local industry who will purchase them.

Informal scanning is probably best conducted by the center director and a few other selected key boundary personnel. Through personal contacts with influential members in important environmental groups, the center director and his/her associates keep abreast of environmental trends and reactions, and funding possibilities. Accuracy of information can be maintained by knowing the characteristics of key contact people (through the familiarity of personal contact), and by using multiple sources of information at different levels in the environment. The experience of center directors seems crucial to this process. The more exposure they have had to the intricate processes of environmental decision-making, and the more knowledge they have of key environmental actors, the greater likelihood they will engineer quick and accurate assessments of outside opportunities and threats.

A variety of gatekeepers can be used for environmental scanning by the executive director, depending upon their position, environ-

mental contacts, experience, and expertise, and depending upon the situation. Interactions with such outsiders are very important and must be controlled and coordinated closely, particularly under times of environmental stress. Thus, center directors need to choose gatekeepers carefully and coordinate their efforts so that miscommunications are avoided.

As a final note, there are several key sources of information in the environment of which the center director and his/her staff should be aware. Some are "key informants" who provide information on the inside operations of other organizations. Others include individuals whose formal job is to scan the environment, and consolidate information for people such as center directors. For example, certain federal and state officials serve as clearinghouses of information about grants or training opportunities. It is expected that successful center directors learn how to use a variety of such sources to enhance their agencies' survival capabilities.

Integrating scanning results into decision-making. As discussed in Chapter II, it is important that environmental data get used by the organization to develop plans for proactively and reactively interacting with the environment. The business literature suggests that center directors and their executive staff play a crucial role in the use of such data. They must provide the initiative for its use and develop ways to integrate it appropriately into their planning for self-sufficiency. Such plans should include long-range objectives

and strategies, from within which short-range objectives and crisis situations can be managed. Planning should be flexible so that data from a variety of formal and informal sources can be used as needed, and so that plans can be adjusted to adapt to changing environmental conditions. Potentially harmful events should always be anticipated so that they can be recognized quickly, and be avoided or acted upon with contingency plans before their effects are too damaging. The literature suggests that in turbulent environments such as those of CMHC's, planning should contain contingency plans based on anticipation of changing environmental conditions. The best planning option can be taken at the crucial time depending upon how the environment has shifted since the original plan was developed. Thus, the CMHC can be more proactive in responding to crises by having a structured, decision-making process that allows for planned, yet flexible responses to changing conditions.

The literature also suggests that decision-making will be most effective if the resulting strategies provide operational guidance to the organization, and foster the personal commitment of those who must carry them out. Thus, the CMHC needs a well thought-out management system that fosters the inclusion of decision-implementors in the decision-making process so that internal organizational matters can be taken into consideration as needed.

Decision-making in organizations such as CMHC's is complicated by at least three important factors (see Hasenfeld and English, 1975; Steiner, 1977). First of all, workers in such organizations are gen-

erally not oriented to structured decision-making and future planning, particularly where financial matters are an issue. Human service concerns are often vague, and it is difficult to make clear-cut, analytic decisions. Decision-making requires extensive input, takes time, and is often frustrating. Secondly, the fact that CMHC's are comprised mostly of professionals leads to further problems. Professionals generally expect greater autonomy than non-professionals and hold allegiance to the ideals of their profession as well as the organization and its clients. Professionals' loyalties can easily become divided, and it can be difficult to solicit their full support and commitment to group decisions which have been made. Finally, because of the humanistic ideals of human service work, and the fact that funds are generally available regardless of production, most human service workers are not oriented to money matters and planning for financial viability. Such affairs are viewed at best as a necessary evil which should be left to the administration.

Because of such matters, the center director's job can be quite difficult. Decision-making and management structures which build cohesiveness and orient the organization toward the future, yet respect human service and professional ideals are difficult to build. The "management by objectives" (MBO) approach discussed in Chapter II is one attractive alternative for structuring CMHC decision-making. It is expected that successful center directors use some form of this to orient their organizations and plan for self-sufficiency. Such a system allows the integration of environmental scanning data into

a structured, yet flexible decision process, and allows room for professional development and autonomy (see Gabbert, 1978, for a more complete explanation of MBO in CMHC's).

While the use of analytic decision-making tools is generally avoided in human services, it is expected that successful center directors use modifications of available techniques to orient their planning efforts. For example, in Chapter II, it was mentioned that some organizational specialists have developed methods for helping executives plot the impact of organizational actions on environmental constituents (e.g. Neubauer and Solomon, 1977). The use of such grids and weighted ratings of environmental constituents and organizational actions can be useful in sorting through the systemic complexity surrounding important decisions.

As a final note, the center must balance environmental demands with internal needs during the process of making plans for self-sufficiency. To this end, the center director must insure that accurate information about internal operations is available as well as data from the environment. While the opinions of staff can be valuable, formal Management Information Systems (MIS) which can concretely chart utilization of center resources are generally the most important source of information. A computerized MIS allows the CMHC to analyze and compare its expenditures in different program areas so as to determine current and future needs. These needs can then be balanced against funding source total dollar amounts, allowable expenditures, and administrative and service demands. With this know-

ledge, the center can more easily solicit funds which are in line with its service goals and administrative needs (see National Institute of Mental Health, 1978a, for a number of references on the design and use of MIS in CMHC's).

Managing demands: Organizational structure options. Center directors have a number of organizational structure options available to help them manage environmental demands, depending upon their styles, the nature of their operations, and the environments in which they are embedded. The business literature suggests that structures should be designed to provide an optimum degree of differentiation and integration with respect to the environment, so that competing demands can be more easily managed. Organizational mechanisms and "slack" are also needed which can buffer the center against the shock of environmental disturbance. Growth in size and diversification of resource dependence can help provide this cushion if such expansion is managed carefully. Above all, centers need structures which can be flexible to changing environmental trends. The CMHC environment is highly turbulent with different specialized programs needed to adapt to changing community needs and available funding. The literature suggests that innovative forms such as the "matrix organization" can be used to help CMHC's maintain such flexibility within a relatively stable, buffered organization. The MBO system discussed earlier can also be used within this structure as further help with the task of integrating diverse elements of the CMHC.

CMHC's have developed with a variety of organizational structures because of the flexibility allowed by NIMH for them to adapt to the unique characteristics of their community (see Levinson, 1969; Ozarin & Spaner, 1974). Included are centers which are 1) based within a general hospital, 2) organized as a conglomerate of "affiliate" agencies with separate identities, 3) based within a state hospital or other state mental health authority, 4) based within a county or city mental health system, or 5) established as a "free-standing" separate corporation. All such arrangements and variations have served useful purposes for centers depending upon their historical development and management needs.

As discussed by Naierman et al. (1978), centers which are organized as part of a larger system such as a general hospital, or state or local mental health authority probably have the best adaptive advantage. These centers can use their parent system as a buffer to help absorb the shock of losing federal support. Cutbacks can be shared with other parts of the system, and non-CMHC financial reserves can be used to protect cash flow from slow paying government contracts. Free-standing centers, on the other hand, experience much more difficulty when they lose their NIMH funds (which often serve as a buffer because of their operational flexibility). While free-standing status allows centers more autonomy in selecting service orientations it leaves them more on their own against the environment (both financially and politically). Multiple-agency conglomerates are another group with survival problems, but more because of internal than external management concerns. Coordination of individual agencies which maintain their separate identity

is difficult, time-consuming, and costly. Success can only be engineered if these problems can be solved, and the different participating groups can be integrated into a functional team. A close working conglomerate can be flexible, however, and can use its diverse constituency to lobby powerfully and share financial losses. While this model need not be abandoned, its benefits should be weighed carefully against its inherent problems of internal management.

The CMHC literature suggests that within these overall structural models, centers can adopt various innovative designs. For example, recent articles have explored applications of the matrix organization to CMHC's (White, 1978), and the establishment of foundations and trusts to process certain funds, and hold property (Curran, 1970). Both offer interesting possibilities for centers which should be explored in greater detail in future research.

Growth and diversification pose interesting issues for CMHC's which should also be explored. The federal legislation over the years has mandated that centers expand their role in the community and operate a number of diverse, multi-funded programs (i.e., "twelve essential services"). While such growth has increased the visibility and power of CMHC's in the community, it has not necessarily improved their chances for survival (see Sharfstein, 1978). Because their growth and expansion into different service areas have been mandated, and because alternative resources for these different services are extremely limited, centers have not been able to benefit from their increased size as much as would be expected ordinarily. Businesses choose to enter new market areas and maintain different suppliers to diversify their resource dependence and

enhance their flexibility. CMHC's, on the other hand, are restricted to certain "markets" because of NIMH regulations, and must deal with limited suppliers of funds for each of these. Thus, while growth and diversification enhance service delivery to the public, they create additional management problems and few, if any, survival benefits to the CMHC itself.

In sum, center directors have a number of structural options which they can employ in their unique environmental situations. Several different arrangements can usually be adaptive in the same environment depending upon how they are implemented. In order to be most effective, it appears that center directors should keep in mind the needs for 1) differentiation and integration, 2) buffering mechanisms against the loss of federal funds, and 3) structural arrangements which can be flexible to shifting environmental needs (e.g., the matrix organization). They should also be aware of the benefits and substantial limitations of growth and diversification of their organizations. More research is needed, however, to explore how these factors are or are not taken into consideration by successful center directors.

Managing demands: Strategic action alternatives. Given their structure, center directors have a number of strategy options available for managing external demands related to their survival. In the short-run, many demands emerge which must be sorted through to determine their importance. Center directors must develop ways for themselves and their staff to manage these as best possible within the context of their long-range goals. All demands can be presented as crises in need of immedi-

ate attention. Thus, a determination must be made as to their importance to the CMHC's mission and survival, and as to whether they should be complied with immediately or later, or managed without necessarily being satisfied. Compliance with all demands is impossible and can lead to immense frustration. It is expected that with experience, center directors learn appropriate discretion with "crisis" demands so that such demands are managed within the context of long-range plans and center ideals.

Because of their environments, CMHC's are often faced with competing demands from a number of funding sources and interest groups. Balancing such demands can be very difficult and requires a special expertise. It is probable that successful center directors employ tactics similar to those observed in businesses by Pfeffer and Salancik (1978). These include such activities as dealing with demands sequentially or facilitating the conflicting groups to resolve their differences themselves rather than use the CMHC as a "middle man." For example, a CMHC may experience conflicting regulatory demands on outpatient services from NIMH, the state, and medicare/medicaid. One strategy would be to reach agreement first with NIMH and use their influence to help the others fall in line later. Another strategy would involve calling a meeting of representatives from the three offices so that any differences could be resolved in a group setting rather than individually through the center. The particular strategy employed would depend upon the situation and politics involved. More research is needed to determine how best such strategies can be used.

While managing demands as they occur is important, the adaptation

literature suggests that center directors will be more effective in the long run if they attempt to change the environmental conditions which create problems in the first place. As discussed in Chapter II, a variety of strategic actions are available. These include the following:

1) merging with other organizations; 2) developing coordination agreements, contracts, and formalized coalitions with other significant actors in the environment; 3) using the board of directors as a positive link to the community and source of support; 4) increasing the legitimacy of the CMHC and mental health services through advertising; 5) lobbying alone or with others for governmental intervention and regulatory changes; and 6) using executive succession to affect positive adaptation.

1. Merging with other organizations. As discussed in Chapter II, organizations merge with or purchase other organizations to gain more control over their environment, and thus increase their chances for success and survival. Merger can take place vertically (backwards or forwards in the production process), horizontally (in order to acquire competitors and enhance coordination), or by diversification (to diversify resource dependence or adopt an attractive organization). It is expected that successful CMHC's use this strategy during their development to solidify their organization and prepare for self-sufficiency.

Vertical mergers can be used to enhance service delivery to deinstitutionalized clients and increase the financial viability of a center. For example, the center can acquire all necessary program elements in the deinstitutionalization process such as inpatient services, transitional housing, day treatment and day activity services, case manage-

ment and outpatient services. Through increased control on the "production process," the center can improve the system of transitional services for clients. At the same time, it can improve its stature in the community as the major provider of services to this population. Thus, if it does a good job, the center enhances its chances of receiving further funds in this "production" area because of its visibility, experience, and informal monopolistic market control.

Horizontal mergers are likely when the CMHC finds itself in a competitive situation with another agency, or when coordination is difficult. For example, the center may try to merge with or take over a competitive outpatient clinic. Such a move (if it works) can reduce competition, improve service to clients, and improve the financial viability of all involved. In some cases, mergers of this nature are necessitated by the environment. For example, a third-party payor may only give one license to a catchment area, persuading competing clinics to merge if they both want to receive third-party reimbursements.

As mentioned earlier, diversification has major limitations as a strategy for diversifying resource dependence in CMHC's. Resources for different programs are limited and entry into different markets is restricted by NIMH. However, centers may use diversification to enhance their legitimacy in the community. For example, the CMHC may affiliate with an established, popular family service agency to increase its stature through association (as well as to coordinate services more closely with an important non-mental health agency).

As a final note, merger may also be done to join a larger, more financially secure parent organization such as a hospital or state agency.

As described earlier, such a move can buffer and protect less financially secure CMHC's against the loss of federal funds.

2. Developing coordination agreements, contracts, and coalitions.

When environmental control through merger is impossible or unattractive, CMHC's can opt for the more flexible strategy of interagency coordination. At least four alternatives are possible here. 1) For example, centers can develop formal or informal coordination agreements with other agencies in the community. These can be used to improve services and decrease dysfunctional interorganizational competition. 2) In addition, long-term contracts or letters of agreement can be developed with funding sources such as the state, to insure continued and predictable support for the center. 3) Centers can also join local coalitions such as inter-agency task forces or the United Way. Such coalitions can be used to improve coordination, decrease uncertainty in the environment, and more systematically distribute scarce community resources. 4) Finally, CMHC's can join larger coalitions which have access to state and federal funding information and can effectively lobby to influence policy development. Included are such groups as the National Council of Community Mental Health Centers, state councils of CMHC's, state consortiums and task forces, and trade associations such as the American Psychological Association. All such linkages improve communication with the environment and can lead to more trusting, stable, and predictable environmental relationships. More research is needed to determine exactly how CMHC's use or do not use these to enhance their self-sufficiency capability.

3. Using the board of directors. Central to the CMHC concept of

community participation is the board of directors. All centers are required to have a board of community representatives which oversees policy development and hires and fires the executive director. In this way, the board is supposed to insure that CMHC services meet the unique needs of their community. The board is also charged with helping the executive director insure the center's survival as a key service provider in the area. To this end, board members should serve as an important link to the community and decision-makers. The adaptation literature suggests a manipulative use of boards, whereby organizational executives such as center directors select board members who can 1) provide free administrative talent (e.g. finances, investment, legal advice), 2) win over antagonistic outsiders, 3) serve as links to key sources of funds, and 4) not interfere with organizational activity. In human services this approach can run contrary to the organization's basic task of serving the community. My impression is that more of a balance is needed whereby board members can be involved appropriately in policy setting, but can also be used to link-up with key elements of the community, and advocate responsibly outside the organization for mental health affairs. Rather than formally coopting board members, as the adaptation literature suggests, I would argue that center directors should work with them to help the CMHC service its community and survive over time using whatever skills and talents are available at both a board and staff level. CMHC boards have been instituted primarily to insure public accountability. This function should not be lost as we try to expand their role in corporate leadership. More research is needed to understand how best this can be accomplished, and what roles the CMHC board should adopt

over time (also see Kane, 1975).

4. Increasing legitimacy and use of services through advertising.

In businesses, advertising is widely used as a tool to 1) increase public awareness of the firm's products or services, 2) shape public perceptions and needs so that people will buy more from the firm, and 3) improve the legitimacy of the firm in general so that it will receive increased support. Certain aspects of this approach can be helpful to center directors in their efforts to increase the viability of their organizations.

For many years mental illness and mental health services have been stigmatized in communities such that people are reluctant to ask for help, and to financially support needed services. CMHC's have suffered additional resistance in some communities because of their association with "big government" and the federal bureaucracy. Many advertising techniques can be used to increase public awareness of the positive aspects of CMHC services and the CMHC philosophy, and subsequently to improve the legitimacy, effectiveness, and financial viability of CMHC's in their community. Such advertising is particularly needed for innovative services such as consultation and education, and politically volatile ones such as transitional housing.

Advertising can be handled in a variety of ways, depending upon the community and situation. Often "word of mouth" is the best advertising a center can have. Positive statements from satisfied clients and influential community members can have tremendous effects as they spread through community networks. (Note: Negative rumors can have dramatic devastating effects. The CMHC should keep on the alert for these and

understand how to deal with them.) Formal advertising can also be effective, and is probably not used as much as it should be by CMHC's. Use of the media is crucial here, and can include anything from newspaper articles on a new service to commercial/public service spots on television. Often such advertising can be used to educate the community about mental health as well as persuade them to support the CMHC. For example, a center in the Columbus, Ohio, area has recently developed creative television commercials using noted celebrities to explain the first signs of mental disorder so that people can receive help early from their local CMHC before problems get out of hand (Franklin County Mental Health and Retardation Board, 223 South High Street, Columbus, Ohio 43215). Use of the media is an exciting new area for human services and it will be interesting to see how CMHC's take advantage of it to improve both their services and adaptive capabilities.

5. Lobbying for governmental intervention and regulation. Because CMHC's exist in an environment composed almost entirely of government or government-related agencies, lobbying to affect changes in this realm is one of the most potentially useful strategies available to center directors. Not only are the government agencies important because of their resources and regulatory power, but they are extremely receptive to lobbying because of their highly politicized nature. Also, lobbying can be used to solicit government intervention at lower levels to insure that policies are carried out as they were intended. If local agencies, local officials, or state officials are uncooperative, and other efforts to work with them fail, the CMHC can lobby at higher political levels to bring pressures upon them which force change. Such lobbying can include

the center alone, or the center in association with larger coalitions. For example, CMHC's as a whole have been lobbying for legislative changes at a federal level through the National Council of Community Mental Health Centers. Their hope is that such effort will lead to positive changes in funding and regulations which will enhance service delivery through the CMHC ideology, and improve the financial viability of centers nationwide. It is probable that other such lobbying is done at a state and local level by successful CMHC's. More work is needed to understand how lobbying of this nature can be used by center directors.

To engage successfully in lobbying activity, the adaptation literature suggests that center directors need to understand the complex interrelationships and power dynamics of government systems, and the ways forces can be mobilized to affect positive change at different bureaucratic levels. Also, center directors should know when and when not to engage in lobbying activity. As discussed in Chapter II, large scale political action can be tedious and difficult. Efforts can easily backfire if they are not planned and timed carefully, and if other more acceptable means of problem-solving are not attempted first (i.e., use of protocol). Finally, the literature suggests that center directors should express concerns which are reasonable in appearance and are supported by acceptable data and interest groups. Credibility and social legitimacy are important factors which must be kept in mind while soliciting support from others.

6. Executive succession. As a final strategy, center directors must be aware of the adaptive impact of turnover in their position. Because CMHC's are mandated to have a single executive in charge of their

operations, the individual in this position has significant impact on the appearance and style of the total organization. As Pfeffer and Salancik (1978) note, executives such as center directors may have no other option than to leave the organization so that its public image and management style can be adjusted as needed. Power cannot be institutionalized around a particular leader and his or her style, if they have outlived their usefulness.

In sum, center directors have a number of strategy options for managing environmental demands. The literature suggests that in the short-run, it is important to sift through demands as they occur to determine the appropriate response. Some demands may require immediate attention and compliance, while others should be deferred, avoided, or satisfied without necessarily complying with them. Such decisions should be based on a determination of the importance of the group and its demands to the CMHC's mission and survival, and on the long-range plans of the organization. In the long-run, the literature suggests that centers will be much better off if they attempt to change the environment so that its demands are more predictable and less problematic. A variety of long-range strategies are possible such as 1) merging with other organizations, 2) coordinating with other organizations, 3) using the board of directors as an external link, 4) advertising, 5) lobbying for government intervention and regulation, and 6) changing executive leadership. Much more work is needed to understand how such long-range and short-range management activity can be successfully engineered to improve the CMHC's survival stance.

Organizational learning. Over time, as the CMHC responds to its environment, the management literature suggests that center directors should develop means for their organizations to reflect upon and learn about their adaptive behaviors. At a simple level, they need to learn what actions and events have led them closer to self-sufficiency and survival within the ideals of the CMHC ideology. At a more complete level, they need to learn how to improve their overall adaptive postures. It is important to understand the appropriateness of their structures and processes given their past, present, and future environmental situations, and their particular styles of operations. Different styles and structural arrangements have characteristic strengths and weaknesses in different environments. A variety of configurations can probably be effective over time, though, if they are managed thoughtfully with an understanding of the potential opportunities and pitfalls which usually accompany them. Also, different styles affect how the environment is perceived. Center directors should try to understand how their perceptions shape their adaptive behavior and subsequently influence their effectiveness. Such perceptions have great influence on the maintenance of functional and dysfunctional interactional patterns with outsiders.

A variety of techniques can be used to help center directors with this learning process. Administrative evaluation data can be collected along with service evaluation data to provide some help. Center directors can also do an internal historical analysis of their organization's maturation by reviewing key developments over the years which have led to greater financial security. Reviews of previous grants, site visit reports, and MIS data can be particularly valuable in this process.

Finally, center directors can solicit the outside feedback of organizational consultants, and where appropriate, their NIMH project officers. Openness to the ideas of such outsiders can offer a much needed fresh perspective on the organization and its patterns of adaptive behavior. Future research should explore how successful center directors use the input of outsiders and other techniques to reflect upon and improve their organization's adaptive postures.

This approach and its usefulness. This chapter has presented a theoretical approach which center directors can use to help them manage their organizations toward successful self-sufficiency. The approach stresses that center directors should use an understanding of the complex demands and interrelationships of their organizational environments, along with an understanding of the strengths and weaknesses of their adaptive styles, to develop strategies, structures, and actions which will make their operations more secure and effective over time. The approach orients the center director toward the complex environmental factors which ultimately influence CMHC survival, and provides suggestions for how to successfully manage them over time. There are limitations to the orientation, however, and more work is needed to explore specifically how center directors can better engineer their organization's survival within such a model.

The first most obvious limitation is that the model and approach may be too optimistic. CMHC's exist in a particularly difficult environment which may be too imposing for any management approach. It would be misleading to project the model as a "miracle worker." If CMHC's are

to survive efforts are obviously needed at a larger systems level to make CMHC's environments more predictable and munificent. For the purposes here, though, the model does provide a potentially useful guide to center directors for pushing the limits of their difficult situations and hopefully improving them over time.

Another limitation involves the emphasis given to environmental concerns. The organizational adaptation perspective stresses the management of external contingencies almost to the exclusion of internal ones. While this is reasonable given the developmental context of adaptation theories within the business management literature, a broader perspective is needed for CMHC's. Early management literature reversed the emphasis such that internal affairs were concentrated on to the exclusion of external ones. Thus, current writings can comfortably stress external management concerns, assuming that executives are familiar with internal matters. Center directors, however, are generally not skilled in management, and desperately need training in such basic areas as financial management, leadership, and motivation. CMHC's cannot survive and be effective if their internal operations are problematic. Quality of service declines, and too much administrative time must be spent on internal crises such that important long-range environmental planning suffers. Thus, while the perspective presented here provides a valuable context for understanding survival management and suggests several important tools for center directors to use in the process, other, perhaps more basic, management training is needed as well.

Also, because the approach presented here is based largely on research with business organizations, more work is needed to understand

how the process of adaptation occurs specifically in CMHC's, and how this perspective can be useful to center directors and the problem of self-sufficiency. More complete answers to questions in the following areas are needed:

1. The external environment. What are the key boundaries for CMHC's and how do they change over the years as self-sufficiency approaches? What environmental interdependencies are most important to understand? What are the most important conflicting demands which affect survival and effectiveness for CMHC's? What limits do CMHCs' particularly difficult environments place upon their survival capabilities?
2. Environmental scanning. What are the most effective formal and informal means of environmental scanning for center directors? Which are more appropriate in different situations? How can center directors best coordinate this process within the context of their long-range plans and objectives?
3. Integrating scanning results in decision-making. What methods can be used to integrate environmental data into an effective internal decision-making and decision-implementing process? How are such data balanced with internal data about organizational needs, goals, and ideals? Can a modified MBO system be of use?
4. Managing demands: Organizational structure options. What structural devices can be used to buffer CMHC's against the loss of federal funds and allow it to creatively manage external demands? How can such issues as differentiation and inte-

gration, growth, and diversification be handled effectively?

5. Managing demands: Strategic action alternatives. How can short-range and crisis demands be managed effectively within the context of long-range plans and objectives? How can conflicting demands be managed successfully? What long-range strategies can be used by center directors to alter environmental demands and improve their chances for successful self-sufficiency within the ideals of the CMHC ideology (e.g., merger, coordinating linkages and coalitions, use of the board of directors, advertising, lobbying, and executive succession)? How can such strategies be implemented effectively within the context of specific environmental situations?
6. Organizational learning. What devices can center directors use to improve their organizations' capacities for learning about their adaptive behaviors and style (e.g., research, periodic reviews, and outside consultation)?

As a final note, humanistic issues must be given greater consideration. Because the literature on organizational adaptation is based on work with businesses, its approaches can seem out of line with human service ideals (particularly to human service workers). Businesses are based upon making a profit, and they are concerned with production processes which usually involve the transformation of physical matter rather than people. Thus, management processes and adaptive strategies can appear exploitative, manipulative, and technological in nature. CMHC's, on the other hand, place considerable emphasis on public responsibility and they usually deal more with people and human values. Because of

this, staff are particularly concerned with how organizational activities affect people and the human condition. Thus, for a variety of reasons, adaptive behaviors in CMHC's must be particularly sensitive to human concerns. Future research needs to consider this important difference between CMHC's and businesses and explore the nature of adaptive behavior in CMHC's which brings their manipulative and technological aspects into a good integration with the ideals of human services.

To a certain extent, however, adaptive behavior always contains manipulative qualities which cannot be denied. CMHC's cannot and, I would argue, should not be considered an exception to the rule. Strategic action toward a goal need not be bad if the goal is humanitarian and the means are reasonable. CMHC's are part of an important social intervention which has done much to improve the quality of mental health care in our country. Because of continued political hardships and administrative shortcomings, centers have had a rough time and are in danger of extinction before their benefits can be fully realized. Because of their value and potential, we should not be afraid to give their leaders the variety of tools necessary to help them survive and be effective. This is not to say that we should circumvent the humanitarian ideals of CMHC's, and teach center directors to be callous manipulators, orchestrating survival for their own self-interests. Rather, we should give them a realistic view of the difficulties of their situation (including the manipulative qualities of others in their environments) and more sophisticated tools for improving their position over time.

Summary. This chapter has presented a conceptual approach for center directors to help them struggle with the problem of CMHC self-suffici-

ency and survival. The approach is based on work in the area of organizational adaptation to the environment which was summarized in Chapter II. The literature on organizational adaptation is based largely on work with business. Thus, it has been important here to develop an understanding of the unique organizational characteristics of CMHC's as they influence the process of CMHC adaptation to the environment. Using this analysis, it has been possible to anticipate how center directors might best carry out the process of adaptation to improve their organizations' chances for survival. More research is needed, however, to understand how the process of adaptation occurs specifically in CMHC's, and how this perspective can be useful to center directors in the field. The chapter concluded with a discussion of the needs for future research on CMHC adaptation, and the limitations of the conceptual approach presented here. The next chapter presents a study of CMHC adaptation which was conducted to build on the conceptual approach developed here. It is hoped that the study and its findings will help center directors further with the problems of CMHC self-sufficiency.

C H A P T E R I V

ACHIEVING SUCCESSFUL SELF-SUFFICIENCY:

A STUDY OF CMHC ADAPTATION TO THE ENVIRONMENT

Thus far, a conceptual approach based on work in the area of organizational adaptation to the environment has been presented to help center directors with the problems of CMHC self-sufficiency and survival. This chapter presents an exploratory study of CMHC adaptation which was conducted to build on this conceptual approach and provide more concrete advice for center directors in the field. The study explores how a small group of outstanding CMHC's in New England have worked to engineer their survival and adhere to the basics of the CMHC ideology after their initial federal funding is exhausted. An attempt was made to understand the tactics used by the directors of these centers to establish their organizations, prepare them for self-sufficiency, and continue to manage the external demands which have affected their resource acquisition and survival. In the process, the study examined to what extent and in what manner the center directors used the management practices discussed in the previous chapter. It is hoped that such exploratory work will 1) clarify and enrich the model of environmental management discussed earlier, 2) provide examples of successful survival strategies to other center directors in the field, and 3) generate questions for future research on CMHC adaptation.

Listed below are four propositions about CMHC adaptation that have

guided this exploratory investigation. While the propositions do not exhaust the range of research issues discussed in the previous chapter, they do incorporate the most important in need of investigation. The study was conducted to assess whether or not they have held true for the sample of New England CMHC's, and to explicate how they were or were not represented in the centers' operations. Developmental patterns in the ways that the centers have approached survival over time were also abstracted from the results. While developmental issues were not incorporated into a formal proposition, their presence in the report does imply that a developmental perspective is important here, and that there are patterns in the ways successful centers adapt to their situations over time from which others can benefit.

Proposition One: Limitations. There are major limitations on the survivability of CMHC's given the CMHC regulations and their restricted funding opportunities. However, successful CMHC's develop ways to circumvent the majority of these constraints, maximize their ability to move into the most lucrative markets available, and intervene at a government level to lessen whatever constraints they can. When limiting points are reached, successful centers sacrifice the quantity rather than the quality or range of services delivered.

As discussed earlier, CMHC's are in an extremely difficult survival position and many in the field are questioning their future viability. Funding options are limited for the comprehensive services, and the demands imposed by funding sources are often problematic and conflicting. Even if centers do survive the loss of federal funds, there is evidence that they often sacrifice important CMHC ideals in the process.

The problem of survival is compounded because of CMHC's highly regulated nature. Current CMHC guidelines make it difficult for center di-

rectors to employ the adaptive/survival tactics used by organizations in the private sector. For example, businesses can often move into more lucrative market areas and diversify their resource dependence if they are having problems. CMHC's are limited more in this regard. Their mandates require them to provide specific services to all people regardless of their ability to pay and they have limited funding options from which to choose to support these services.

In spite of the problems some centers are more successful than others in achieving self-sufficiency while maintaining the basics of the CMHC ideology. From the discussion in Chapter III, it appears that to do this, CMHC's must develop ways to minimize the major constraints on their adaptability so that they can move into the most lucrative markets available and lessen their dependencies on single sources of funds. It remains an issue, however, as to what are the limits of centers' directors' abilities to improve their organizations' positions. While there are certainly more options available to them than are currently considered possible, major limits are probably reached by even the most successful center directors.

This study was based on the proposition that the most successful center directors can and do work around most constraints facing their organizations. An attempt was made to discover if indeed this was the case in a sample of CMHC's representative of the most successful in New England, and if so what were the key factors or behaviors that have allowed the directors of such centers to minimize or eliminate obstacles in their way. It was expected that the investigation would uncover additional survival strategy options than are currently considered by most

center directors. It was also expected that certain obstacles would be insurmountable, at least in the short-run. When limiting points were reached by the centers, it was expected that successful center directors would work as much as possible to sacrifice the quantity rather than the quality or range of services their organization delivered. An important part of the study was to identify such limiting points and understand how they were dealt with by the sample of CMHC's under investigation.

Proposition Two: Proactivity. A key to successful survival management in CMHC's is the center director's ability to maintain a proactive organizational stance in an ever-changing and highly complex environment. Successful CMHC's develop long-range planning processes that allow them to predict future trends and make long-range contingency plans upon which short-term actions can be based. Such plans include the development of actions designed to change the environment itself as well as those to respond to immediate or anticipated demands.

Perhaps the most important point from the preceding chapter is that to be successful, center directors should be as proactive as possible in managing environmental demands. A proactive stance allows the organization to operate on the basis of its own long-range, relatively more stable goals rather than on the ever-changing demands of its environment. To maintain such a stance, the preceding chapter argued that a center director should institute planning mechanisms that allow the organization to 1) understand the present and future environment and 2) develop contingency plans for implementing its goals in the best possible way given changing environmental conditions. Actions can be designed to react to environmental demands or to change the environment itself so that future demands are less problematic. As environmental conditions shift over time, the organization can have strategy options prepared for meet-

ing the different environmental states encountered.

The preceding chapter discussed possibilities for how center directors can orient their long-range planning processes. The present study assessed to what extent and in what manner such processes were used for survival management in the sample of CMHC's under investigation. It was expected that effective long-range planning processes would play an important role in maintaining the centers' viability. It was also expected that there would be limitations to the abilities of the centers to be proactive in their ever-changing environments. The study attempted to understand these limitations and how the center directors worked with them. Finally, the study also probed for the specific use of MBO-type systems and computerized MIS in the centers' planning processes, as the literature reviewed earlier indicates they should be especially important in this regard.

Proposition Three: Long-Range Strategies. In order to be proactive and gain more control over their environments, successful CMHC's use various long-range adaptive strategies commonly employed by organizations in the business world. Included to a greater or lesser degree depending upon their situation are the following activities:

- 1) Marketing--Successful CMHC's read the needs and opportunities of the marketplace (both consumer and funding source) and adjust their services to match these.
- 2) Advertising--Successful CMHC's "sell" their services to consumers and funding sources through community education, use of media, and other tactics which increase the center's social legitimacy.
- 3) Buffering--Successful CMHC's buffer themselves against environmental instability by: 1) developing financial reserves, 2) diversifying their resource dependence, 3) joining a successful parent organization, and/or 4) developing long-term contracts with funding sources.
- 4) Mergers (growth)--Successful CMHC's grow through "horizontal" mergers, vertical mergers, or diversification to gain more control over their production processes and resource ex-

changes.

5) Interorganization Coordination--Successful CMHC's coordinate their efforts with other organizations to gain a more predictable environment, reduce competition, share resources, and gain lobbying power. Included are coordination agreements, long-term contracts, and coalitions.

6) Boards of Directors and Cooptation--Successful center directors work with their boards to achieve mutually agreeable organizational objectives, and use board members as extra administrative talent and links to key external groups.

7) Lobbying for Government Intervention--Successful CMHC's "lobby" for governmental changes in funding, regulations, and inter-governmental relations (especially the federal-state relationship) to improve their survival stance.

8) Executive Succession--Successful CMHC's orchestrate changes in executive leadership when needed to improve the organization's adaptive posture.

In order to be proactive and successful, the business management literature suggests that organizations need to act on the environment to make it more controllable and munificent. In Chapter III the eight strategies listed above were described as the most important long-range options available to executives for managing environmental demands. This study assessed whether or not such strategies were used by the sample of CMHC's under investigation, and if so, in what manner and with what importance they were implemented. It was expected that all would be used to a greater or lesser degree depending upon the centers' environment, style, and development. Because of the extreme difficulty of CMHCs' current funding situation and their close ties to government agencies, strategy number 7, "Lobbying for Government Intervention", was expected to be of particular importance.

Proposition Four: Structures. Successful CMHC's have developed structural mechanisms (e.g. coordinating committees, matrix designs, etc.) to enhance the coordination and stabilization of diverse and changing program types mandated by changing regulations and funding priorities.

The preceding chapter noted that center directors have a number of organizational structure options to employ in their unique environmental situations. Several different arrangements can usually be adaptive in the same environment depending upon how they are implemented. In order to be effective, center directors should keep certain organization design principles in mind while developing their specific structures (see pages 66-71). One of the most important principles involves differentiation and integration. CMHC's operate in a highly complex and turbulent environment which necessitates their differentiating into a variety of subgroups to deal with different aspects of the organization's task and environment. These different functional units must then be coordinated so that the organization's different resources can be maximally used for problem-solving and goal attainment.

Because of ever-changing regulations, funding priorities, and environmental constituents, it was expected that issues related to differentiation and integration would be very important to CMHC's. In order to survive over time, it was expected that CMHC's would develop ways to stabilize and coordinate their subunits. This study assessed whether or not this was the case for the CMHC's under investigation, and if so, what structural mechanisms were employed to improve their situation. It was expected that the coordinating committees and matrix designs discussed earlier would be among the most important mechanisms used.

Overall design. With the above purposes in mind, case studies were conducted of four New England CMHC's which were closely approaching or had already reached the ends of their federal grants. The centers were se-

lected on the basis of their success in approaching self-sufficiency while maintaining the basics of the CMHC ideology as outlined in Chapter I. A qualitative research design incorporating intensive interviews as the principal investigative tool was then used to examine their organizational evolution and adaptive behaviors (see Lofland, 1971; McCall and Simmons, 1969).

The study was conducted in two stages. Initially, for each of the four centers chosen for study, the principal investigator reviewed historical center documents and interviewed the centers' executive directors and NIMH project officers. Through a review of center documents, the investigator examined the centers' overall evolution, identified key historical adaptive events, and examined issues related to the propositions discussed earlier. Shortly thereafter, interviews were conducted to: 1) explore the centers' evolution and adaptive behaviors from the respondents' perspectives to see if they generated the same set of issues discussed in the propositions, 2) probe for specific data related to the propositions, and 3) generate issues in need of further exploration in the study.

At the end of the first stage, the investigator made a determination in conjunction with the dissertation committee as to whether additional data or additional centers were needed to test and explore the propositions discussed earlier, or to explore specific key issues which had emerged. As additional data were needed, they were collected by 1) additional document reviews, 2) follow-up interviews with the initial respondents, 3) interviews with other key individuals inside the organization, and 4) other measures determined at that time. As sufficient

overlap in issues was raised to indicate complete data across centers, additional centers were not chosen for investigation at that time.

Data from the document analysis and interviews were analyzed in a qualitative fashion (see Lofland, 1971) to do the following: 1) assess whether or not the propositions discussed earlier held true for the sample of CMHC's under investigation, 2) explicate how the techniques discussed in the propositions were or were not represented in the centers' operations, and 3) determine whether or not there were developmental patterns or issues in the ways the sample centers approached survival over time. Notes were taken on all relevant documents, and audio-tape recordings were made of each interview. Also, a diary was kept to record the investigator's involvement with the organization, and on-going perceptions, feelings, and working hypotheses. Care was taken to insure the validity of all data presented, and to insure the confidentiality of the CMHC's and individual respondents included in the study.

Selection of a qualitative design. The selection of a qualitative design had several advantages in this investigation. The study explored relatively uncharted territory in a sensitive and complicated area of organizational life. Data were needed which were rich so that thinking in the area could be expanded. The qualitative design used here generated such data, and was ideal for this type of problem-solving because of its flexibility. Organizational processes which were covert and sensitive could be teased out in an open process of personal interaction with the data source. Historical events which shed light on complex organizational processes could be explored from a variety of perspectives

by speaking to different actors in the organizational system. Ideas could be reformulated as the investigation proceeded, and informants could be selected as needed to throw additional light on confusing situations. Also, difficult-to-quantify variables such as those explored here were probably less distorted by a qualitative approach than by a premature effort to operationalize and quantify them for a survey or experimental study. Finally, as the project was intended to identify the most effective ways for CMHC's to engineer their survival, it made sense to begin by exploring the views of those who were doing a successful job themselves. A qualitative design allowed such individuals to express their views more on their own terms, rather than on those of the investigator.

Qualitative research has limitations, however, which must be recognized. The data generated from such efforts can be argued to be less standardized and rigorous in their support of specific hypotheses and more open to investigator bias. Especially if samples are small, results can have limited generalizability and may serve mainly as indications of relationships in need of further investigation. Given the exploratory nature of this study, such an analysis was expected and appropriate. Given a qualitative approach, accurate, precise, and complete results can still be obtained if proper methods are used, and their limitations are recognized. For example, in this study multiple data sources were used to increase support for interpretations, and minimize investigator bias. Also, the investigator incorporated evaluative checks into the research process, by soliciting the feedback

of colleagues and informants.

The center selection process. The CMHC's selected for this study were located in New England operating under the jurisdiction of the NIMH Region I Office. Included in Region I are Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. At the time of this study at least seventeen centers in this region were in the advanced stages of operation (i.e., centers in at least their seventh year of federal funding). The Region I Office was staffed by a director and seven project officers, who shared monitoring and consulting responsibilities for the individual centers. Generally, the staff were assigned centers in a specific state so that they could also be responsible for working with the respective state mental health authorities.

For the purpose of this study, regional NIMH officials were asked to assist in the selection of an initial sample of four centers for investigation. Because of their first-hand knowledge of the centers, and overall experience in the field, it was assumed that their input would be extremely valuable. Four centers were selected based on the following criteria:

- 1) The centers should be in the advanced stages of operation (year seven or higher in federal funding) such that the issues of self-sufficiency and survival were an ever-present reality. At least two centers should be graduates from the initial federal grants. If at all possible, the centers should be free of federal funds.

- 2) The centers should be the relatively most successful operations in New England in approaching self-sufficiency while maintaining the basics of the CMHC ideology as outlined in Chapter I. The centers should rate high in the seventeen program quality areas discussed in the "CMHC Monitoring Package" (DHEW Publication, ADM 534-1, August, 1977) used in NIMH site

visit reviews of CMHC's across the country. These include: 1) organization/administration, 2) staffing, 3) facilities, 4) utilization review, 5) provision of requested information, 6) emergency services, 7) outpatient services, 8) partial hospitalization, 9) inpatient services, 10) individualized treatment plan, 11) range of treatment modalities, 12) continuity of care, 13) community orientation, 14) visibility, 15) accessibility, 16) preventive services/consultation and education services, and 17) coordination with other agencies. The center directors of these CMHC's should be considered competent and innovative executives.

3) The centers should represent diversity in management style, organizational form, environmental characteristics, and historical development so that their experiences would be interesting and generalizable to a variety of center operations. If possible, both hospital-based and free-standing centers should be included.

4) The centers should be representative of different states and different project officers. Also, if possible, they should be from both rural and urban, and poverty and non-poverty catchment areas.

Once a sample of centers was selected, they were asked to participate in all phases of the study. During the data collection process, the centers were explored to determine their strengths and weaknesses in achieving self-sufficiency while maintaining the CMHC ideology. Data for determining their relative success came from 1) a review of historical documents at the center which outlined the domains in which they operated and the strengths and deficiencies in their operations as noted by the site visit review panels, 2) interviews with the centers' NIMH project officers in which they were asked to discuss the centers' strengths and weaknesses and distinguishing characteristics, and 3) interviews with the center directors themselves in which they were asked to discuss their operations' relative strengths and weaknesses. Such an analysis based on these data was used to validate and "put into perspec-

tive" the initial selection of centers based on the judgements of NIMH officials. As discussed earlier, if this sample had proved to be too limited to use in this exploratory investigation, additional centers would have been included at a later point. (See next chapter for characteristics of the centers selected.)

Review of documents. A variety of documents were reviewed prior to interviewing at the individual centers. Documents from past years and the present were analyzed to develop a basic understanding of the center and its evolution, and to identify potentially key adaptive events and organizational activities in need of further exploration during the interviews. At least the following types of documents were studied as available: 1) NIMH grant applications, 2) NIMH grant review commentary (from both NIMH reviewers and the respective state officials, 3) annual NIMH site visit reports, 5) audit reports, 6) CMHC annual reports, 7) CMHC program descriptions, 8) CMHC policies and procedures manuals, 9) CMHC long-range planning reports, 10) consultant reports, and 11) other relevant reports, position papers, memos, letters, journal articles, etc.

Notes were taken on all relevant documents so that an initial organizational history could be constructed, and a listing of potentially key adaptive events could be made for use in the interviews. Also, a diary was initiated to record the investigator's involvement with the organization, and on-going perceptions, feelings and working hypotheses. This diary was used to develop additional questions for investigation during stage two, to contribute additional data for the final analysis, and to develop a greater perspective on the research process used to

generate data. The diary was continued throughout the investigator's contact with the individual centers.

Initial interviews. Once a basic understanding of the center and its evolution was obtained, semi-structured interviews were conducted individually with its 1) center director and 2) NIMH project officer to assess how the center had directed its efforts at achieving self-sufficiency while maintaining the basics of the CMHC ideology, and to begin probing for information related to the propositions discussed earlier. The process was facilitated by an interview guide (see Appendix A), and audio-tape recordings and notes were taken to preserve the interaction for analysis. The interviews took from two to three hours and were split into separate sessions as needed to accommodate the informants' schedules. Prior to the interviews, the informants had the purpose of the study and data collection process explained to them.

The initial interview was fairly open-ended so that the informants' perceptions of the CMHC's evolution and adaptive behavior could be solicited with as little investigator bias as possible. The informants were asked to discuss the historical development of the center (past, present, future) in relation to its evolving goals, and to recount the most important actions the organization had taken to improve its chances for successful self-sufficiency. This approach was taken so that the model developed in Chapter III could be put in greater perspective and so that other important activity directed towards successful self-sufficiency could be uncovered.

As time permitted, a variety of probes were used to tease out

adaptive behavior related to key historical events which emerged from the document review or from the interview itself. Also, probes were used to explore data related to the propositions discussed earlier. At the close of the session(s) the interview was briefly summarized, and the informants were asked for feedback so that investigator misperceptions and biases could be identified and corrected.

Follow-up investigation. Following the reviews of documents and interviews, additional data were collected to explore specific issues which had emerged from the initial contacts, and to further test and explore the four propositions. This work varied somewhat from center to center, but generally involved 1) follow-up interviews and conversations with the executive director, 2) interviews with key executive staff, 3) follow-up conversations with NIMH personnel, and 4) additional document reviews. In addition, during the two-month period of data collection, the investigator attended the Region I Annual Meeting of the National Council of CMHC's (October 18-19, 1979, at the Biltmore Plaza Hotel in Providence, Rhode Island) during which a major discussion point was the survival problems of CMHC's, and two of the centers under investigation gave related presentations. Notes were taken on all relevant discussions and were included in the analysis.

During the follow-up investigation, the investigator presented preliminary results to the dissertation committee for the purpose of determining what additional data were needed, and whether additional centers should be examined. The subsequent analysis supported and extended the research directions under process, and indicated that additional centers

were not needed for the purposes of this exploratory study.

Data presentation. Care has been taken to protect the identities of the individual centers and NIMH project officers in the data presentation so that sensitive issues would not emerge to jeopardize the standing of those involved. For this reason, informant quotations and the discussion of specific events have been kept to a minimum, and at all times been disguised in the final presentation.

As with any qualitative study some information has been deleted from the final analysis, and decisions were made as to how this should be done and how the remaining data should be organized. Information was included only if it had the clear support of the informants (e.g. checked out with a number of individuals from different perspectives) and did not appear to be biased by the investigator. To this end, the critical comments of all those associated with the study were solicited for help. Possible areas of bias and data with weak support have been mentioned where appropriate in the text. The investigator also used the research diary and feedback of the research advisor to help understand the decision-making processes which shaped the data collected and data analysis processes. The influence of these decisions on the study's results have been explained where appropriate in the text.

Summary. This chapter has presented the design of an exploratory study of CMHC adaptation which was conducted to build on the conceptual approach developed in Chapter III and to provide more concrete advice for center directors struggling with the problems of self-sufficiency. The study was intended to explore how a sample of four outstanding New En-

gland CMHC's have attempted to survive and adhere to the basics of the CMHC ideology after their initial federal funding becomes exhausted. Four propositions about CMHC survival and adaptation that guided the investigation were described. These were based on the most important principles from Chapter III, and include 1) the limitations of CMHC adaptability, 2) proactivity and the long-range planning process, 3) long-range strategies commonly used by business organizations, and 4) organizational structure and stability.

A qualitative research design incorporating intensive interviews as the principal investigative tool was used to examine the centers' organizational evolution and adaptive behaviors over time. Questioning was done with center directors, NIMH project officers, and others which emerged as critical to the investigation. Data from the interviews and other investigative tools have been analyzed to clarify and expand upon the research areas outlined earlier. Care has been taken throughout the process of investigation and analysis to insure that the results would be as useful and unbiased as possible.

The study presented here was limited in that the issues covered were selective and no one issue was explored in depth. Also, the study was designed to investigate the operations of only a small sample of centers from one region of the country. In spite of its limitations, the study does represent an exciting first step in the exploration of adaptation issues in CMHC's, and it touches upon the most important issues raised in the preceding chapters. The next chapter presents the findings of this study. This is followed by a final chapter which dis-

cusses the implications of these findings for center directors and others in the field, and suggests directions for future research.

C H A P T E R V
ACHIEVING SUCCESSFUL SELF-SUFFICIENCY:
THE ADAPTIVE ACTIVITIES OF FOUR OUTSTANDING CMHC'S

The preceding chapter described the design of a study of four outstanding CMHC's in New England which was conducted to 1) clarify and enrich the model of environmental management discussed earlier, 2) provide examples of successful survival strategies to other center directors in the field, and 3) generate questions for future research on CMHC adaptation. This chapter presents the major findings of this project. The first section includes an overview of the four centers that were selected for investigation. The brief description of their organizational characteristics and achievements is intended to provide a context for the results which follow, and to show that the centers were indeed outstanding organizations worthy of investigation. This is followed by a review of the major findings of the study within a discussion of the four research propositions outlined earlier. The chapter concludes with a discussion of the common developmental themes which emerged from an analysis of the centers' adaptive efforts over time.

Overview of the CMHC's selected for investigation. The four centers selected for the study were diverse, representing four different states and three different NIMH project officers. Both free-standing and hospital-based centers were included, and the centers were from both rural and urban areas. Unfortunately none of the centers were located in of-

ficially designated poverty areas under current NIMH guidelines. However, all were from poor areas, and some qualified as poverty centers under previous guidelines. Catchment areas serviced by the four centers varied in size, and were relatively small overall (mean population just under 100,000 people). Ethnic groups served were predominantly white, yet included several different minority groups (including Blacks, Spanish-speaking, and French-speaking) that required the use of specialized programs. One of the centers in particular was known for its innovative efforts in reaching the minority community. Thus, even though the sample selected was small, the group did include a relatively diverse group with most NIMH organizational priorities represented.

In order to serve their residents, the centers had developed fairly extensive budgets over the years. At the time of the study annual budgets averaged approximately 1.8 million dollars per center. Support was broad, with federal, state, and third-party sources combining for eighty to ninety percent of each organization's budget. Other grants, local funds, foundations, donations, and other sources (e.g. consulting contracts) made up the difference, with the contribution of each varying widely from center to center. As is typical in most CMHC's today, state and third-party sources were steadily increasing in importance, with other funds being sought to fill in gaps and provide support for innovative and marginal programs. Because of the rapidly decreasing federal share, state and third-party sources were seen as the most viable and stable means of support, in spite of their obvious limitations for maintaining a well-rounded CMHC program.

As was required for the study, all of the centers were in the ad-

vanced stages of operation such that self-sufficiency was a major priority. Two of the centers were graduates of their initial CMHC grants and the others were in their seventh or eighth year. Unfortunately, none of the centers were "true graduates," completely free of federal money at the time of the study. As was expected based on the results of studies by Weiner et al. (1979) and Wasserman et al. (1980), it was difficult to find centers completely free of federal funds that were still upholding the virtues of the comprehensive CMHC program. Rather than compromise the criterion of programmatic success, a decision was made to compromise the desire for center fiscal autonomy. All of the centers selected were aware that their CMHC dollars were short-lived, however, and considered self-sufficiency an important priority. All were currently struggling to achieve self-sufficiency and maintain the CMHC ideology and by all reports would be relatively successful at both when their federal funds expired. This was substantiated to some degree for at least one of the centers. Six months following data collection it lost the remainder of its initial CMHC grants and was able to secure stable funds to replace them.

This choice-point reached in the study is indicative of a major problem in the CMHC program and represents an important finding in and of itself. The sad fact is that current funding systems impose severe limitations on the survivability of comprehensive CMHC's. Without the buffer of flexible federal funds, many centers must compromise the CMHC ideology in order to survive. As will be seen, though, the centers in this study have been able to push the limits imposed by their difficult funding environments. Through a combination of tenacity and the use of

sound management practices, these centers have been able to at least approximate the ideals of self-sufficiency as it was originally intended. Thus, in spite of difficulties and frequent struggling, at least a few CMHC's seem to be able to survive. Much can be learned from their efforts, even though improvements at a broader systems level are obviously needed.

In spite of their current dependence on some federal support (i.e. not completely self-sufficient), the centers in this study were clearly among the most successful overall operations in New England. All maintained the comprehensive services and had contingency plans to keep them in place when their federal funds expired (even though cutbacks and compromises might be necessary in some cases). Any minor deficiencies in their operations were under scrutiny, and with the assistance of NIMH officials, were being improved. Success was also indicated by their consistent expansion and budget growth over the years.

The center directors and staff interviewed were all bright, competent, and well-credentialed individuals. All had distinguished themselves locally, statewide, regionally, and in most cases nationally as leaders in community mental health matters. All were involved in a variety of significant planning groups and task forces, and were asked to present their ideas from time to time at conferences. Additionally, all had been asked to consult regularly to their peers on CMHC management concerns. Two had also published in mental health journals, and most were involved in other teaching and training activities.

While all of the centers studied were similar in terms of their overall goals, tasks, and accomplishments, each was unique in its situa-

tion (i.e. environment and history) and the ways in which it had achieved success. Some had grown from established organizations with long reputable histories. Others had grown from shakier beginnings, marked by changing leadership in the mental health community and early failures to satisfy the public. Of the center directors interviewed, most had joined their agencies during problematic periods within the past few years. Only one had been in a position to provide steady leadership over a long period of time. In spite of this, all of the center directors had been able to bring maturity, strength, and steadiness to their organizations, allowing them to develop and succeed in a number of ways in recent years.

Within the small sample of CMHC's, all three of the successful adaptive styles discussed by Miles and Snow (1978) were represented to at least some extent. One of the centers was clearly "prospector"-like, being a major innovator, particularly in management areas. The director and staff were constantly searching out new markets to enter and new methods for improving the quality and efficiency of service delivery. Many other centers had adopted its innovations, and it was often referred to by others as the "prototype New England CMHC." Two other centers were clearly "analyzer"-like. While these centers were not innovators themselves, they were very flexible to new ideas and were quick to adopt those which they felt would be helpful to their causes. Each maintained a carefulness in its approach to innovation and strived for a well-rounded, quality operation. The remaining center had "defender"-like characteristics but was more of a hybrid of styles, containing both prospector and defender qualities. On the one hand, this center had

maintained stable state funding for services, and was able to operate more routinely than most, striving for efficiency and quality. However, the center was also an active experimenter, advancing many new approaches to service delivery and organization, and actively involved in trying to alter its external environment.

All in all, the centers in this sample did show strengths as outstanding CMHC's and were relatively successful in approaching self-sufficiency while maintaining the basics of the CMHC ideology. Furthermore, they showed diversity in situation and organizational style which was helpful for the purposes of this study. As well be seen in the remainder of this chapter, a number of adaptive strategies and activities have been used by the centers which should be helpful to a broad range of CMHC's elsewhere. The next section discusses findings related to the first, and most general, proposition of the study. As was mentioned earlier, analysis has shown that because of environmental difficulties, there have been real limits to the center directors' abilities to improve their organizations' programmatic and fiscal viability. However, through a combination of tenacity and the use of sound management practices, these individuals have pushed such limits and made significant accomplishments. The next section discusses the limits they have reached, and in general terms, the methods they have used to try to overcome them.

Proposition One: Limitations. There are major limitations on the survivability of CMHC's given the CMHC regulations and their restricted funding opportunities. However, successful CMHC's develop ways to circumvent the majority of these constraints, maximizing their ability to move into the most lucrative markets available, and intervene at a government level

to lessen whatever constraints they can. When limiting points are reached, successful centers sacrifice the quantity rather than the quality or range of services delivered.

As indicated above, everyone associated with this study agreed overwhelmingly that CMHC's were in a very difficult survival position. Government regulations, lack of funding system coordination, reimbursements not linked to actual costs, unrealistic funding demands, market restrictions, and environmental unpredictability were all discussed as part of the problem. The following quotations from participants helped illustrate their concerns and frustration.

One of the things you have to realize is that most of what we're doing we have to do. We don't have the freedom at the present time to do many other things. We operate now under all sorts of constraints by the feds and state. We have a sense of strategies, but we also have a sense of tremendous constraints under which we're working. It makes it very difficult to maximize the kinds of efforts that I think we're capable of. If we were in private business I'd do a lot of things differently. There are a lot of activities which are just bad deals financially. We'd do them differently if we could. At some point they are going to have to let up. They can't keep saying you have to serve everyone who can't pay, unless they will pick up those costs. They aren't doing it now, but still require us to serve everybody, and too often we get guilt-tripped into doing it (Center Director).

Stability is very difficult in CMHC's because the suppliers of funds are governed by year-to-year arrangements. Even with the state, it's on a year-to-year basis because of political changes in governors, mental health officials and legislators. Unfortunately it's difficult for them to engage in long-range planning and contracts. Every legislature seems to start at ground-zero. They are not at all committed to anything particularly with zero-based budgeting becoming popular. I've gotten on state mental health planning committees so that I can influence that aspect of our environment. The problem is that we come up with a plan that puts CMHC's as the top funding commitment, and a new governor or legislature can say, "Forget the mental health plan." Because they don't have to buy the plan as a good document, it makes the process very complicated (Center Director).

In spite of the frustrations, the centers in this sample were able to circumvent the majority of these constraints, and at least cover the basic services required by NIMH (although cutbacks might be needed in the future). As mentioned earlier, one was able to cover all of its lost CMHC money with other stable funds by the time of this writing. While several factors were involved in their relative success, a few general issues emerged as particularly important. These included the following matters:

1) A commitment to the CMHC ideology. Perhaps the most obvious funding in the study involved the strength of character and ideals of those associated with the centers. All were knowledgeable of the CMHC program, committed to its basic principles, and persistent in their pursuit of excellence in their work. All had a tenacious quality that helped them fight through challenges and suffer through setbacks in order to further the causes of their agencies. Such spirit is expressed in the quotation below.

To stay in this business you've got to be on the hustle and have a commitment to the task of CMHC's. The successful directors are always out there working their angle. You've also got to be strong-willed and thick-skinned. In community development work your proposals are always going to be rejected when you first bring them up. Later, if you're persistent they'll probably be accepted. It was pretty frustrating until I figured out that it's just the way things work (Center Director).

This is not to say that the center directors were overzealous idealists, championing causes at the drop of a hat. They were all complex individuals with a highly pragmatic attitude about their work. Sometimes their actions were unpopular, and appeared compromising, self-

centered, or calculated to others around them. For example, funds may be used for additional purposes other than that specifically stated by funding sources to fill an important service gap. While such an approach might appear dishonest and manipulative to some, the center director viewed such action as a necessary and pragmatic approach to further CMHC ideals until other, more appropriate means could be found. In the end, they hoped that others would see the consistency of their actions, their strength of character, and obvious commitment to CMHC's. For without this commitment, each could have left their jobs long ago for equally lucrative and less stressful occupations.

2) Carefulness, patience, and planning. Another important attribute of the respondents involved their thoroughness and maturity as leaders. Each recognized that developing a successful organization takes time and must be looked upon as a carefully laid-out, continually fine-tuned developmental effort. All had established personal and organizational goals to accomplish during their tenure, and had been in the process of carefully working through them over time. As will be discussed later, all were thorough planners and implementors, insuring that every possible issue was explored around a particular problem. As one of the center directors stated, "managing a successful organization requires proactivity, not impulsivity."

3) Realism. A closely related attribute of those interviewed included their constant awareness of the limitations of their situation and the problems of current funding systems. Thus, they worked hard within those markets (i.e. funding sources) they could exercise some control and generate steady income, and practiced restraint in those

which were problematic. The centers would fight to open up funds for services they felt were important to the community, however, and would subtly manipulate the use of funds they did have so that needed services could be covered. At some point, though, they knew when to stop beating their heads against the wall. In addition, they were reluctant to greedily take on new service programs and additional federal money unless they could realistically assure that pick-up would be available, or that the programs could easily be phased in and out of existence. Some aspects of this important orientation are reflected in the following quotation:

Some centers make the mistake of continuing to provide services (because of their perceptions of community needs) even when they lose money on it. The successful ones, like the ones in your study, say here's the need, here's the service, here's what I can do for you--Is there a market? If not, then they say fine and take it elsewhere to try to sell it, or give it up until the market is better. Many centers keep it going long after it doesn't work. Then they have problems because there's no money to support it and they can't do a good enough job to sell it to others (NIMH Project Officer).

4) A professional approach to management. As mentioned earlier, the CMHC staff interviewed here were able to push the limits of their problematic environments mainly through a combination of tenacity and the use of sound management practices. While their spirited nature kept them going, it was often their professional orientation and management wisdom that pulled them through. Although none of the center directors were originally educated as mental health administrators, each regarded the field as a specialty requiring train-

ing, on-going learning, and a professional attitude. All had done extensive individual work to learn their profession and had found ways to continually upgrade their skills. Such efforts included the use of independent readings, external training, discussions with colleagues, conferences, and occasional sessions with organization development consultants. To a greater or lesser degree, all incorporated their thoughts into self-guiding conceptual frameworks. In sum, they took their managerial work seriously, thought about it as a specialty, and tried to learn from their efforts to improve them over time.

5. The CMHC as a large corporation. An important part of the professional orientation discussed above concerns how the center directors chose to view their organizations. Particularly for the free-standing centers, the organization was looked upon as a large mental health corporation rather than as another public service agency. This distinction was important in that it highlighted at least two critical concerns for those involved. First of all, it emphasized the reality of self-sufficiency and the need for the CMHC to assume responsibility for charting its own course. Unlike in most public service agencies, financial solvency needed to be developed at an agency and staff level. Success was dependent on the efforts of everyone involved to develop quality services and cultivate the necessary markets within which they could be supported.

Secondly, the corporate orientation emphasized the necessity of developing a sophisticated management approach which used up-to-

date management technology. Thus, the center directors here had already begun to look to the corporate world for ideas to improve their operations. Of special interest were techniques in financial management and accounting. As will be discussed later in the section on "buffering," the free-standing centers in particular had developed considerable expertise in using acceptable accounting principles to maintain surplus funds for cash flow, etc. Also of paramount importance was the use of computerized MIS to monitor the organization's performance, fine-tune its operation, and provide valuable data to support arguments in the political arena. At least these two technical areas were noted by all as crucial to the viability of center operations.

6) Fine-tuning internal operations. Along similar lines, the centers in this sample were very concerned with developing a finely-tuned internal operation that was free of "fat", energetic, and characterized by solid teamwork. While the remainder of this paper will concentrate on external management concerns, it should be noted that the center directors have spent considerable time insuring that their internal organization was top-notch. Competent staff were hired and cultivated as responsible professionals, organizational structures were reworked as needed, MIS was used to monitor performance, and procedures were standardized and reinforced to insure consistency. As will be discussed later, the free-standing centers in particular had developed sophisticated plans for monitoring and maximizing their third-party reimbursements and fee collections.

Those interviewed noted that too many center directors fail in the long-run because they spend so much time on the "hustle" to build their empire that they never develop a quality product which can continue on its own. They attributed their success to an appropriate balance and synchronization of internal and external activities.

7) The use of environmental management practices. Finally, as expected, the findings have indicated that most of the adaptation principles and strategies outlined in Chapter III were used at least intuitively by the center directors, and thus were instrumental in their success. Furthermore, the basic conceptual model as outlined earlier appeared to have significant merit as a guiding framework for those in the field. All those associated with the study who reviewed the model found it useful, if nothing else as putting into perspective many of the activities they were already performing. Of particular importance to them were issues concerning 1) diversification and other buffering strategies, 2) environmental scanning and long-range contingency planning, 3) the use of coalitions and boards of directors in lobbying, and 4) as mentioned above, the synchronization of external and internal management activity. These and other activities will be discussed in greater depth later in the report.

In sum, the center directors in this study have been successful in circumventing the majority of environmental constraints they have faced, through a combination of tenacity and the use of sound management principles. Before moving on to the other three research

propositions and more specifics, it should be noted that each of the center directors also described situations in which they were not able to eliminate constraints and were forced to make compromises. As was predicted, when such limiting points were reached, these successful centers did whatever possible to sacrifice the quantity rather than the quality or range of services delivered. And, as would be expected from the previous discussion, they did whatever possible to turn their immediate crises into opportunities to advance the causes of their agencies and lobbying interests. The following represent some of the important approaches used by these centers to face uncontrollable funding losses and other limiting situations:

- 1) Implement a contingency plan. A crucial point, as will be discussed later, is that the center directors here were rarely caught by surprise in the difficult situations they faced. While the situations were never looked forward to, they were anticipated as realistic possibilities which must be thought through. Thus, in the event of what felt like total disaster, the centers had a general plan to implement. This plan provided at least some comfort and control to the situation, and helped prevent it from deteriorating further.

- 2) Retreat and protect the core services. Because of their commitment to the CMHC ideology, the center directors have considered the preservation of that ideology as a top priority. Cutbacks and reorganization would keep at least the basic service elements and orientations intact, until such point as more ideal ways of imple-

menting them could be developed with new funds. At least a few openings were always kept for non-reimbursable clients.

3) Emphasize income-producing services and staff. Faced with the reality of cutbacks, the centers were forced to emphasize those services and staff which could generate income to support themselves. Thus, certain CMHC services for which there were no currently available funds would have to be given short shrift until such funds could be generated. As implied above, arrangements would be made to bury such services within reimbursable ones, but their quantity and ideal quality would have to be sacrificed. While the centers did not like to make such compromises, they realized the reality of the situation, faced it head-on, and made the best of it they could by emphasizing areas of fiscal strength. At least by emphasizing their strengths, they had the opportunity to glean support for other needed services. In such situations most relied heavily upon more stable state or third-party sources of funds. As mentioned earlier, each had developed sophisticated mechanisms to monitor and maximize third-party collections to help provide cushions for situations such as these. Furthermore, some had developed plans for reducing services to those levels where income reached a certain acceptable percentage of operating costs.

4) Turn the crisis into an opportunity. While no limiting situation was ever looked upon favorably, the center directors here tried to look at each in as positive a way as possible. Generally they were able to get at least public relations and lobbying mileage out of the situation. In some cases they even realized unforeseen benefits. For exam-

ple, one center director used the "opportunity" of funding losses to emphasize funding system problems to legislators and community members. Because of his contingency planning, he remained in control of the situation internally, maintained credibility externally, and mounted a public relations effort pointing out specific governmental problems that were leading to specific service compromises. He also used the situation to improve and tighten internal operations in ways which he stated were probably needed anyway (if not to that extent, however). Management and staff were reduced and reoriented, and renewed vigor was placed in such areas as maximizing reimbursements and diversifying resources. As a side benefit, the center increased its respect and credibility in the community and developed improved relations with other agencies who had once regarded it as an elitist "empire builder." People were impressed with the manner in which such a difficult and sensitive situation was handled, and were sympathetic to the center's plight. Also, somewhat surprisingly, staff pulled together during the crisis and maintained a positive, forward-looking attitude. From all reports, it appeared that earlier team-building efforts and the sensitive way in which the situation was handled paid off with higher than expected staff morale.

5) Rely on others for assistance and support. A final, yet important observation was that all of the center directors here sought out the assistance and support of others during difficult situations. They recognized that crises limited their vision and took a toll on their own mental health. In order to improve their decisions and reduce their chances for "executive burnout" they looked to individuals such as their

NIMH project officers, peers, outside consultants, boards of directors, and in particular, their middle management staff.

In concluding this discussion of the first research proposition, it can be said that for these four CMHC's the following statements held true: 1) major limitations on the CMHC's adaptive capabilities were experienced as debilitating; 2) through a combination of tenacity and the use of sound management principles, most of these limitations were circumvented; and 3) when uncontrollable limiting points were reached, the center directors involved did their best to minimize their effect on the CMHC ideology, and use them as an opportunity to further the cause of their agencies and ideals. As mentioned earlier, an important contribution to the center directors' success here was their use of the management principles discussed in Chapter III. Of utmost importance was their ability to be proactive and forward-thinking even in the face of adversity, and to have developed contingency plans for handling problems that would occasionally arise. Such is the topic of discussion in the next section of this chapter.

Proposition Two: Proactivity. A key to successful survival management in CMHC's is the center director's ability to maintain a proactive organizational stance in an ever-changing and highly complex environment. Successful CMHC's develop long-range planning processes that allow them to predict future trends and make long-range contingency plans upon which short-term actions designed to change the environment itself as well as those to respond to immediate or anticipated demands.

Everyone associated with the study agreed that one of the keys to achieving continued success as a CMHC is the ability to be proactive and

forward-thinking. All agreed that over time these centers had demonstrated the ability to be proactive in at least an anticipatory sense. They were able to keep abreast of funding opportunities and environmental changes that were materializing down the road, and gear their operations to adapt to and take advantage of them. Furthermore, because of their credibility they were often included as policy advisors by state and federal mental health officials. Thus, they were in a position to influence if not shape future policy in ways that would further their agencies and ideals. The following six quotations highlight several different important aspects of proactivity as discussed in the interviews.

Maintaining a proactive approach is the major thing that has gotten us through. We decided what we wanted, recognized the realities that were around and established our position right off. Credibility is one of the largest contributing factors. We were never in a defensive posture. We never cried when we were in trouble. We recognized the larger set of constraints and asked for just our fair share, and showed that we could do it. Also, we have known ourselves. The organization has to know its finances and operations. It cannot let outsiders interpret its data for it. It must be able to evaluate itself. The minute you lose that control you're open to outsiders interpreting it and using it in some way that can get you into trouble. It's not to say you should be dishonest. That will come back to haunt you quickly. You just have to be in control of it (Center Director).

You've got to have an early idea of what's coming down. We were the first in this state to develop an MIS. I went to a management training program where I picked up a number of these things. Early in the game we learned that MIS was important and could pay off for you in many ways down the road. It's not been because we're so smart and always know what to do, but it's because we could pick up and use what others were doing. You've got to know the context of what you're working in. You've got to have that sense that you'd better get moving, even if you can't really predict what's coming down. A lot of center directors don't have that vision, that sense of alertness to their periphery (Center Director).

We're not as proactive as I'd like to be, but we're more proactive than others. On at least a year-to-year basis we set goals for movement and as systematically as possible move towards them. We do have a clear sense of where we want to go. I guess it's middle-range to long-range planning. The crisis stuff is fun from an ego point-of-view, but after awhile if you're really committed to an organization it gets in the way (Center Director).

Being proactive also involves taking some risks. We look at them as investments. We'll sink some money into the development of a program that can't pull its weight initially to develop a market that we think will pay off down the line. Our _____ program was done that way. We got into that field early because of community needs and so we could build a prototype program to corner the market. Because of its success, we are now able to use it to help back other marginal programs (Center Director).

Proactivity, and long-range planning has been a key to this center's success. Their director sees it as a high priority and puts a lot of energy into it so that problems are anticipated and worked on proactively so that major difficulties don't come up. This center does it far more than others. Their director is very skilled in keeping abreast and ahead of funding possibilities. He's out there planning actively with us and the state, spending a lot of time looking to what might be coming down the road. He's taken an active role lobbying with respect to state and local appropriations (NIMH Project Officer).

Both centers we've discussed are very proactive. _____ is proactive in a defensive kind of way. They can anticipate problems down the road and deal with them, but they aren't proactive like the other in saying: "How can we move out positively in this area, this area, and this area? What can we do that would be fun and make money for the center?" They respond by identifying roadblocks and finding ways to eliminate them. Ideally centers should do both (NIMH Project Officer).

As the preceding quotations illustrate, proactivity was an important issue for the centers in this sample. All those interviewed felt it was important to take the time to look ahead, keep an eye out to the periphery, plan carefully to direct and control the future, and invest in some risks with pay-off potential. The ability to remain proactive

was enhanced by the centers' abilities to 1) demonstrate credibility in the environment, 2) maintain an attitude of confidence and forward-thinking even during crises, and 3) develop internal security and stability, so that risks could be comfortably taken. Also important were the professional experiences of the center directors.

A center with a healthier history has more time to explore different areas and plan ahead. Up until just recently we've had to spend time being purely reactive. Now we've cleaned up our operation, developed some credibility, and gotten on firmer financial ground so we can be proactive and take some risks. I think a center needs to get at least 50% of its operations funded through stable sources. The rest it can generate from softer areas. Less than 50%, and chasing bucks becomes such a priority that the quality of services declines or you lose the psychic energy to be creative and take risks. At this point, most centers feel too insecure to take the necessary risks. You've got to have the energy to keep exploring. Part of the problem is the structure of funding and part is the quality of leadership (Center Director).

The experiences a center director brings to the job are critical here. For example, _____ has had a variety of experiences with many aspects of mental health. He's done clinical work, he's worked in CMHC's before, he's worked for the state, he's gone to school to conceptualize what he's doing, and he's spent a lot of time here with us and in Washington. Because of his experience in several different roles he sees a much bigger picture than most and he can sniff out issues. He knows how things develop because he's been there (NIMH Project Officer).

As predicted, the centers studied here maintained their proactivity by using many of the environmental scanning and long-range planning techniques discussed in Chapter III. Such techniques were highly formalized in only one of the centers, but were used at least in basic principle in the other three. As predicted, scanning was performed primarily by the center director with considerable assistance from key staff and board members. For those within a hospital base, scanning was

often done in conjunction with key hospital personnel. Also as predicted, informal mechanisms were considered more valuable than formal ones. However, as will be discussed later, one center director was experimenting with formal marketing approaches to data collection. Finally, scanning data were collected with regard to improving services as well as financial viability. The following quotations help illustrate the points touched upon here.

I try to stay active on a variety of fronts, NIMH and the state in particular. I have a lot of contacts in the state and in Washington. I earned some credibility in the past and I've tried to maintain my contacts. I get invited to a lot of meetings and make every effort to go to things that keep me in touch on a state and national level. I talk to people privately and get a private sense of what's happening because I'm respected and trusted. I get a lot of things that don't get in print--the behind-the-scenes view. I do the same at the regional office (NIMH) with both our project officer and all the others. The information I get you often can't do much about because it's all perceptions and people really don't know what's going to happen--even those within the system. The best it can do is sensitize you to what may happen and what options you have. It gets you thinking and lets you know how the system works. I've been around so long that I develop a sixth sense sometimes. I know what's going on and what's going to go on. I can bring some predictability into the situation so that everyone feels more at ease. You can see a whole lot of things going on and you don't react to any one thing. You don't chase rabbits! You see their interrelationships and you focus your energy on those things that need to happen first to reduce the confusion and get things on track. You don't chase symptoms. You look beyond them to the roots of the problem (Center Director).

Organizationally we have a lot of people doing this and we meet often to communicate. Internal people are involved with pieces of the environment depending upon their program and constituencies. Some have more autonomy than others depending upon the nature of their funding source and their maturity. Some funding sources are fairly separate in the state and it makes sense to have them handled separately (Center Director).

It's difficult to identify technical modes that we've used to scout out information from the environment. It's more of an

attitude, a set of expectations, a set that you ask the people you're working with to have. We strive to be on planning committees or in any other position where the action is. It's very important. We strive to be in positions where we have access to information and can be influential. When we don't, we usually pay the price. I was once in a position in the state to put people on various planning committees. A crucial committee on funding was to be formed and I put three others on it--not myself. They were coming from different places and we got in trouble with their recommendations. My generosity killed me. It's very important to be where your interests are being dealt with so you can influence them (Center Director).

Long-range contingency planning was a crucial activity for the centers here, particularly for the free-standing ones, and particularly in preparation for the loss of federal funds. Planning techniques varied in formality from center to center, but contained several general attributes that appeared important to their success. These included at least the following characteristics:

1) Plans were driven by programmatic needs, and tempered by fiscal realities. As implied earlier, center staff began the planning process by looking at their programs and determining how best they should develop. Such assessments were based on experience, needs assessments, and the CMHC ideology. In close order, a budget assessment was conducted, examining current and future incomes and expenditures. Options were explored for maintaining and improving internal efficiency and program quality, and for generating additional revenue from a variety of potential sources. Probabilities of success were approximated for the options and contingency plans were drafted. Efforts were then directed towards securing the most attractive and realistic options.

2) Planning decisions were based on sound data. As discussed earlier, center directors in this study were extremely thorough in their

approaches to problems. Thus, a variety of data from different sources were used in making planning decisions. MIS data were crucial with respect to matters of internal effectiveness and efficiency. Environmental scanning data and the input of board members and staff were also used, particularly around political matters. Important issues were researched and discussed over months before decisions were made. No formal decision-making techniques or grids were employed, but decisions were well thought-out just the same (as the following quotation describes).

We've laid out a plan for FY 82 in which we pull together and examine all of the variables and options we can see right now, rating them according to the extent to which they have a degree of viability that we can be clear on. And that's necessary at this time because for instance we don't know if there will be a per capita formula from the feds. We have to lay out the groundwork for, and set a number of alternative options so that a year from now we'll know pretty much from among three or four different alternatives what we'll be doing. Central to part of this will be to set up the options we want to see happen. Initially I want to see what different staff can come up with. For instance right now I want to know how much it costs to operate each unit of service. I want to know how many billable service units they provide--how is time spent?--can we get more billable units or less?--what are the problems? I want to look at collections, the patterns of the patient population and their potential for various reimbursement options.

Right now the problem is pulling together the best possible information you can get--what we're faced with is a loss of a lot of dollars which is an emotional kind of thing that's scary. But to understand what can be done about it is going to be a function of how much accurate information we can get about a whole lot of things that we have to pull together, assemble and organize in a way that is of use to us. Approaching that in an inductive system, you pull together a lot of things, then hope something will begin to fall out of it. First we've got to get what we know now, then examine each area for information that we need to seek out. For example, I know there's a lot going on in Congress now. I want to find out what the latest positions are on key issues affecting men-

tal health. It's nothing magical, just a process of checking all kinds of options, influencing decisions where you can with your board president, access to legislators, etc. But you need data on where you stand so you can talk to issues and say exactly how much money you need, and where exactly the critical problems are with current legislation. I want to be able to talk in specifics (Center Director).

3) Staff were involved in the planning process in a structured way. In order to improve the quality and implementation of planning decisions, the center directors in this sample relied heavily on group-problem solving techniques. Staff were included in a variety of ways, but all had clear roles and responsibilities delegated to them. One of the center directors used formal Management by Objectives (MBO) techniques, while the others used informal variations on its basic theme. Extensive group problem-solving sessions were held by all, and one center director had institutionalized regular management retreats where extensive, uninterrupted planning could be done. While such planning took time and risked keeping staff too informed, all agreed that it was worth the effort. As one center director put it, "There's a delicate balance of keeping people informed without letting them get too worried or depressed. If you can show strength and keep the balance, you get a lot of pay-off in effective teamwork."

4) Plans included clear goals and objectives. In all cases, the center directors here developed plans with clear goals and objectives and at least yearly milestones to monitor progress. Important goals were often organized around grand themes that might extend over three- to five-year periods of time. In one case goals and objectives were documented in an MBO fashion so that they could be checked closely over

a period of years. The importance of this approach is highlighted by the comments of the following NIMH project officer.

The key thing _____ did was to formalize things internally and where they were headed. He wrote things down with his board and staff. He had clear goals and objectives on paper from the beginning. He began his tenure with a clear contract and an agreed-upon five-year plan. More important than what was written was the fact that it was written. It may look silly, but it helps build a consensus in an organization. He got them involved. He was able to manage crises, yet think ahead to the future. He had plans in mind in which he could place the crises and use them to his advantage--one, two, three years down the road. Again, everything was documented. He had a plan on paper and he checked himself to see where he was going (NIMH Project Officer).

5) Plans contained goals with multiple pay-off possibility. Because of thorough data gathering and creative problem-solving, the center directors here usually developed plans with multiple pay-off possibility. For example, very early in its history, one center invested in an MIS knowing that later it would produce comprehensive data for improving efficiency, informing funding sources, and lobbying at a state level. Also, if they were lucky they could sell their data system to other centers. Another center chose to look for a particular grant, not only for the immediate revenue it would bring in, but because the accompanying regulations would force needed reorganization and diversification that would pay-off down the road. Another center chose to go after a research grant, again not only for the immediate revenue, but for its potential long-range benefits. If successful, the grant would also 1) improve the agency's credibility in the research area (i.e., improve chances for further research money), 2) help the center corner the market on research and consulting money in an exciting new area for CMHC's,

and 3) help the center test out and improve its own skills in an important administrative area, thus improving its chances for continued survival. In sum, the centers here were planning for the immediate and distant future simultaneously. They had long-range goals in mind, and used their creative spirit to incorporate short-range opportunities within them. Also, the more "birds" they could kill with one stone, the better.

6) Plans contained contingency options. As described earlier, the centers here prepared themselves for unexpected developments and problematic situations. Contingency plans were drawn up and in most cases were written down. Extensive work was done to insure that preferred goals would be accomplished, but less preferred outcomes and unexpected calamities were always prepared for as possibilities. As one center director phrased it, "Contingency planning is crucial because with so many environments that are always changing their stance, you never know what's going to happen." The following quotation also serves to illustrate this issue.

With all our funding attempts we calculated a percentage of success, and developed contingencies. During this time we had four plans, all weighted, and we chose the best option to meet our needs. We guessed within 5% of what the state finally gave us. We decreased our obligation in another area which left us only \$75,000-80,000 to balance. All we wanted was either of the two federal grants we had applied for, both and we'd be golden. We gambled on the conservative side and built our budget around the smaller grant. We ended up getting the other so we were better than expected. Now we're going through the same sort of ballgame again. We only expect to sacrifice one important position and we're trying to reorganize and find some new funding for that as well (Center Director).

7) Plans were implemented with good timing. The ways in which

plans were implemented were crucial to their success. As implied earlier, the center directors here all had a sense of pace, restraint, and political astuteness that helped them take advantage of difficult situations and move towards their long-range goals gradually over a period of years. Actions were chosen carefully and movement was made when the time was right. In this way, greater proactivity and direction were maintained, and specific actions usually produced greater mileage.

In concluding the discussion of this second research proposition, it is evident that the ability to remain proactive and engage in long-range contingency planning was crucial to the continued viability of the CMHC's in this sample. Such planning, based on a thorough knowledge of the external environment and internal operations, helped the centers prepare for the loss of federal funds and turn most crises into opportunities. In all cases, planning was a carefully structured team activity that improved the quality of planning decisions and the morale and enthusiasm of those involved. The next section of this chapter explores findings related to the third research proposition. Here the use of specific adaptive strategies outlined in Chapter III is discussed.

Proposition Three: Long-Range Strategies. In order to be proactive and gain more control over their environments, successful CMHC's use various long-range adaptive strategies commonly employed by organizations in the business world. Included to a greater or lesser degree, depending upon their situation, are the following activities:

- 1) Marketing--Successful CMHC's read the needs and opportunities of the marketplace (both consumer and funding source) and adjust their services to match these.
- 2) Advertising--Successful CMHC's "sell" their services to consumers and funding sources through community education, use of the media, and other tactics which increase the center's social legitimacy.

- 3) Buffering--Successful CMHC's buffer themselves against environmental instability by: 1) developing financial reserves, 2) diversifying their resource dependence, 3) joining a successful parent organization, and/or 4) developing long-term contracts with funding sources.
- 4) Mergers (growth)--Successful CMHC's grow through "horizontal" mergers, vertical mergers, or diversification to gain more control over their production processes and resource exchanges.
- 5) Interorganization coordination--Successful CMHC's coordinate their efforts with other organizations to gain a more predictable environment, reduce competition, share resources, and gain lobbying power. Included are coordination, agreements, long-term contracts, and coalitions.
- 6) Board of directors and cooptation--Successful center directors work with their boards to achieve mutually agreeable organizational objectives, and use board members as extra administrative talent and links to key external groups.
- 7) Lobbying for government intervention--Successful CMHC's "lobby" for governmental changes in funding, regulations, and intergovernmental relations (especially the federal-state relationship) to improve their survival stance.
- 8) Executive succession--Successful CMHC's orchestrate changes in executive leadership when needed to improve the organization's adaptive posture.

As implied earlier, most of the above strategies were used by all four CMHC's to increase control over their environments and improve their chances for successful self-sufficiency. Activities related to buffering and lobbying were regarded as the most important and useful. However, examples were provided by at least one center in all eight categories.

1) Marketing. In a basic way, the centers here have all been very astute in reading the needs of the marketplace (both current and future). Through use of the environmental scanning techniques discussed earlier, they have been able to keep in touch with mental health funders to assess and predict their funding demands. Also, through contact with clients, their boards, and occasional formal needs assessments, they have

been able to assess the needs of consumers and gear their services to them as well. To a greater or lesser degree, all four centers had used marketing principles to explore other potential sources of revenue (particularly for consultation and evaluation services). Furthermore, one of the centers here had already explored the use of formal marketing techniques, and was looking for research funds to more carefully assess their usefulness.

By and large, the marketing techniques used here were informal, with a heavy reliance on the scanning activities discussed earlier. Two of the centers had experimented with surveys and more systematic assessment tools. Once a potential market had been identified through such activity, it was then tested for its viability. Initial resources were invested with minimal risk to the organization, and their return was assessed over time. New services were sometimes offered free initially so that consumers would be more likely to try them. If after experimentation and advertising the markets did not pay-off they were discarded. Care was taken, however, to not discard or otherwise alter programs that were central to the CMHC ideology. In such cases, other, more complementary markets were sought to support them.

We are trying to market some C&E stuff. We've done such things as go to different schools and agencies and offered free services for six months, then said, "If you like it, you'll have to buy it from now on. We'd like to offer it for free, but because of our funding situation, we're going to have to charge for it" (Center Director).

We do marketing in some very subtle ways. Our CMHC core is not marketable. We are not willing to change those services because of where the bucks are at any given time. We want to assure the existence of those as key to community mental health in our community. Other services can be geared to the

marketplace, as long as they don't upset our core beliefs (Center Director).

About five years ago we did some scouting around and anticipated that there would be a big market in this program area about now. So we developed the program and sunk some money into it with hopes that it would be paying off now when we could use it. It hasn't. We thought we'd have a corner on the market. But now resources are scarce and there's been a tremendous influx of competition in the field. So we've been in the process of seriously cutting back in this area, and investing in other areas that look more promising. The marketing principles are sound, though, and we think they can be useful to others (Center Director).

2) Advertising. Formal advertising techniques were not used extensively by the centers here. However, all had been able to project a positive image to funding sources and consumers that improved their survival capabilities. Their images were built upon a good track record of providing quality services, and were conveyed to others primarily by word-of-mouth and other grass-roots efforts. To a lesser extent, other techniques such as the following were used: 1) public speaking (at professional meetings and in the community); 2) public forums; 3) volunteer programs which gave community people access to the center; 4) brochures, posters, etc.; 5) storefront operations; 6) interaction with police, the schools, and other key community agencies; and 6) the outside activity of board members.

Unfortunately, none reported using the media as effectively as they probably could. This was due in part to the difficulty of overcoming the stigma associated with mental health, and to a lack of funds. Two of the centers, though, had considered hiring media specialists to help them work with newspapers, the radio, and local television.

The issue of stigma presented an interesting advertising problem,

particularly for centers wanting to enter traditionally non-mental health markets. For example, staff at one of the centers were interested in developing consultation and education services to business and industry. Recognizing the difficulties of entering such a market with a mental health label, they established a separate corporation billed as a professional management consulting firm. The corporation was sponsored by and affiliated with the CMHC, but not advertised as such. Initial reports indicated that the unique structural arrangement and "sales technique" was beginning to pay off with some small consulting contracts.

Improving your legitimacy with funding sources requires several things. First you've got to provide good quality services. If you do, they'll see it. Secondly you've got to show consistency over the years, and always comply with funding guidelines. You've got to hire and develop good staff that will gain respect, and you've got to give them (the good ones, that is) high visibility. My behavior is important because I represent the organization. I've got to look good and come through when it's important. For example, if the commissioner calls and says, "Can you help me out with some information?" we do it as quickly as possible (Center Director).

We have a consulting program to business and industry which is partly on our time but sponsored by the CMHC. We sell ourselves under mental health concepts, but never talk of mental health because of its stigma. We've used business people on the board to help us market and advertise it. We're set up as a separate corporation to not have mental health attached to us per se. Also, this separate status has allowed the CMHC to protect itself from embarrassment if we fail. We can both win if it works, and we get some staff time to work on it now and some seed money. It's been very important to not bill ourselves as mental health. First we tell people how it will save them money. Then we talk about how it will help people, once we're beyond the initial bottom line. They like the idea that it will help people and that it's a nice fringe benefit to offer, but these days the bottom line of cutting costs is really important (Key Staff Member).

3) Buffering. Perhaps the most important strategy used by the centers in this sample was buffering. All had developed financial and political cushions which decreased their vulnerability in the marketplace as their federal funds expired. The most powerful buffer, of course, was a parent organization. One hospital-based center in the study was able to survive handsomely using that strategy as its primary weapon. The larger system 1) served as a powerful political base, 2) allowed the center easy access to specialized and otherwise expensive mental health services for its clients, and 3) helped cushion the center against state cutbacks and other funding losses. On the negative side, the arrangement did cause some of the problems usually associated with hospital-based centers, but they were minimized given the hospital's long-standing commitment to the CMHC movement and that center. In the director's opinion, the benefits far outweighed the occasional problems which were experienced.

We have the power of them behind us, but more flexibility because they have been committed to the CMHC movement and this center. We are looked upon and supported as a model. They have a political base that would be very difficult to erode. As long as they're around, we will be assured of at least survival. We look good and make them look good, and thus have legitimized ourselves in their eyes. . . . The [larger organization] allows us to provide a range of services through our system rather than through a string of affiliates. It's much easier to manage. . . . The minuses of the buffer. . . . In sum, I don't have the complete flexibility to hustle for resources, I don't completely control my budget, and we're often not seen enough in line with the rest of the organization to really fight for the resources. Thus our positions are more in jeopardy than those in the _____ section. Also, we don't have a separate identity from the larger organization. Our positive focus in relation to community responsiveness, etc. can get lost in other people's global negative impressions. Don't let me give you the wrong impression, though. Our relationship is a good one, and the positives far outweigh the

negatives (Center Director).

Without the luxury of a parent organization, the free-standing centers were forced to use more creative means of buffering. Of utmost importance to them was the ability to develop stable funding commitments from the state (e.g. long-term contracts) and to diversify their resources in as many ways as possible. As discussed earlier, diversification is difficult in mental health because of limited funding and regulations which prohibit movement into different markets. However, the free-standing centers here explored as many options as possible to diversify themselves, both within and outside the government funding community. Included were funding arrangements in mental retardation, LEAA, health research and training, foundations, mental health demonstration grants, the schools, and business and industry. Such funding arrangements provided administrative overhead and other resources to help support center operations. Losses due to political changes in any one area were less likely to disrupt the total organization.

An exciting development with future potential for other CMHC's was the movement of at least one of the centers into "capital markets." This center had established a separate holding company to buy property that the center could then lease. Most of the property had been renovated such that its value was dramatically increased in a short period of time. Thus the center was able to develop equity and potential profits (if the property was sold) that could be used at a later date to support needed programs. In the least, the center had permanent space at a relatively fixed price. It is possible that in the future some of

the space could be rented to outsiders, with whatever profit being turned back into the CMHC. Thus, a profit-making activity could be used to channel needed income into a non-profit, public-service endeavor. While this concept is not completely new in human services (e.g., sheltered workshops for the mentally retarded), the potential scale of its use to generate income and the movement into pure business activity raises interesting possibilities and moral dilemmas for CMHC's. For example, the author has heard of at least two CMHC's running fast food franchises and another managing a fishery. The issue of whether such activity bastardizes the CMHC ideology, or simply enhances the CMHC's ability to serve the community, is one to be ultimately decided at the community level. The author would argue, however, that profit-making activity can be an exciting addition to increase the power and effectiveness of CMHC's if it is structured and managed properly.

Centers have to reflect the value system of their community. We had problems buying property. Our board moved into it by necessity. Their basic attitude (although they don't mean harm) is that non-profits should get by, by the skin of their teeth. If the value was played out we'd be working in store-fronts for minimum wage. Our board went along because buying property was the only reasonable way we could house our services. I've looked at it as a way we could win financially, too. Now we own eight pieces of property. We probably won't get more, but they are very profitable arrangements. The idea of buying property or running businesses will come more in the future. I think we'll see a lot of things in the community mental health movement (Center Director).

I won't own a hamburger stand or allow our C&E program to run programs just because they are lucrative. What are we if we do that? Although if we got to a place where valued positions were in jeopardy I don't know what I'd do. I guess there's a critical issue here. How do you expand the things you do to survive and yet not disturb the foundation upon which you exist? (Center Director)

As a final buffering strategy, the free-standing centers in particular were very concerned about developing financial reserves. Investing in property was one means, although mechanisms for developing more liquid assets were used as well. As mentioned earlier, the use of specialized accounting techniques was extremely helpful in this regard. Through manipulations of accounts receivable and other categories, acceptable surpluses were generated for paying bills and covering slow contract reimbursements.

Cash flow is an issue because we're not allowed to book a reserve as you can in a hospital. For some reason it's regarded as a surplus. We've worked to establish a reserve but it's been tough. Mainly you work through your accounts receivable, accrued vacation, stuff like that. We've improved cash flow without borrowing yet and without showing a surplus we'd have to give back. I don't know why we can't do it if hospitals can. For example, two percent of our budget set aside for a reserve is no big deal in my eyes (Center Director).

4) Mergers (growth). As predicted, centers in this sample had grown over the years developing increased stature in the community, greater control over their "production" processes, and diversified funding bases. Rarely, however, was growth accomplished by merging with other organizations. Generally, growth occurred with new funds and program ideas. Thus, this strategy was not considered particularly important and was given little discussion time in the interviews.

5) Interorganization coordination. While other organizations were rarely merged with in the traditional sense, they were often coordinated with closely through affiliation agreements or within coalitions. Such activity was strongly encouraged by the center directors here as a way to 1) expand their service capabilities (by sharing resources), 2) re-

duce competition for scarce resources, and 3) gain more lobbying power. All four centers maintained at least one affiliation with a community agency to expand their service capabilities. All were also integrally involved in local planning and fund-raising groups (e.g. United Way), and three of the four were intimately involved in state councils of CMHC's and the National Council of CMHC's. The following quotations reflect some of the important issues raised around this important strategic area.

We have some affiliations within our larger organization and in the community that have relieved us of certain pressures. We've been able to get around the delivery ourselves of certain specialized services such as emergency services. We'll participate in this, but don't have the pressure of supporting the whole thing and it's of much better quality than if we did it ourselves. We've also gotten involved in some consortiums in which several agencies go for the money and then contract it out. There are a number of examples of that in our C&E work. It's been done where there is an interest and a need to bring things together across a number of organizations to reduce competition and to give the program enough breadth that it has an increased chance of getting funded (Key Staff).

I think we'll see a lot more people falling back on the conglomerate model as self-sufficiency hits. You try to do it all on your own and you'll lose money. You've got to pick out what you can do best, and affiliate with others who can do what else you need. You work together as much as possible to provide the coordinated package to the community (Center Director).

They recently just got a state council going up there. The center director and I have been talking about it for a long time. The council has been created as a funnel for technical assistance money, a common legislative contact (they have a huge legislature and a big need to keep up with what's going on, to follow and propose bills), and as a statement of unity to the department of mental health. Hopefully it'll pay off, and they'll have a stronger base of grass roots support (NIMH Project Officer).

The coalitions are crucial. We're involved in them locally, statewide, and nationally. They give us greater power to af-

fect changes we feel are needed. It forces others to deal with us as a whole rather than as separate entities (Center Director).

6) Boards of directors. Also important to the success of these centers (particularly the free-standing ones) was the way in which they worked with and used the talent of their boards of directors. Each was skilled in seeing the positive aspects of a board and how it could be used to enhance the agency's connection to the community. Each was also skilled in selecting the right board people at the right time, depending on the developmental needs of the agency. The following quotations highlight some of these important issues.

We've had the right board president at the right time. A key is how to use the right community members at the right time. Up until recently we've had board presidents who were part of the conservative interests in the state. That's been very important. It's no trouble to get liberals on the board or to get their support. But the conservatives don't like mental health. They see it as something that Roosevelt brought in. So you get them on the board and they'll push it along like it's their own. When we were new, we had a president who was a mover and a banger in town. When we were into fund raising, we had a good fund-raiser. When we were expanding clinical services we had a clinician. Now we've got some state political problems so we've got a politician. We're also using our bankers and lawyers on the finance committee to help us find ways to save money and build security down the road (Center Director).

Governance boards are very important. The board must be aware of the CMHC as a multi-million dollar corporation. You've got to have the foresight, aggressiveness, flexibility and the willingness to risk and take chances, and try new things. Most mental health boards are predominated by traditional people who don't risk. We don't have enough business people. We have a few who are very articulate and who wield a lot of influence, though. The role of the board of a large corporation is to develop long-range policy. It should be looking far far ahead, setting very broad guidelines that the administration can pick up on and do the work. It should evaluate the staff's performance, but not look over their shoulders. If the board

is not too involved internally, they can put effort into helping manage the external environment. We used a board member (the vice-president of a local bank) to establish a relationship with a hospital board that's given us problems. A hospital board member came into the bank and a conversation got started about the hospital and mental health center. One thing led to another and now we've got a joint board-to-board committee meeting regularly to discuss and hopefully resolve some of our issues. It's very healthy and something I never could have done. They've got the clout to arm twist the legislators and other boards. Not me. They've got to be the visible advocates. I'm going to be shifting more boundary maintenance work to them as they reconceptualize their role as an overall leadership group. They're going to shift from an internal focus to an external focus, just as we have. The board has to change developmentally with the center (Center Director).

7) "Lobbying." As predicted, another extremely important strategy used by the centers in this sample was lobbying. All were highly involved at a state and federal level attempting to influence changes in funding and regulatory systems. Such work was closely allied with the scanning activity described earlier, in that the center directors used whatever means available to maintain contacts on a variety of fronts where important policy matters were being discussed. Lobbying was characterized by some subtle differences, however, including the fact that it was never conducted as "lobbying" in the formal, legal sense. Since there are federal restrictions on "lobbying," any such activity conducted by the centers or coalitions had complex implications. Because of the extreme importance of policy and legislation to their long-range viability, though, the center directors here found a variety of ways to speak out publicly on issues, involve themselves as policy advisors, or rally the efforts of other concerned citizens to their

causes.

A number of important tactics, which are here referred to loosely as lobbying, emerged from the investigation. The center directors' efforts here were characterized by at least the following principles:

- 1) Activity was done as a multiple effort utilizing the teamwork of a number of key players from different access points into the system to be changed. Included were staff, board members, key community contacts, clients or former clients, legislators, coalitions (especially state councils of CMHC's), state or federal officials, and any other political allies in positions of influence or power.
- 2) Efforts reflected a careful understanding of the system, including its constraints, its actors, and its power bases. Change efforts attempted to take these into consideration. Credibility was enhanced when this knowledge was reflected to others.
- 3) Individuals acted from a position of power, knowledge, and confidence rather than one of weakness. The centers simply asked for their fair share and stated their positions.
- 4) Efforts were long-range, focused efforts based on long-range plans and any opportunities of which they could take advantage.
- 5) Efforts used extensive, well-documented data to back-up arguments. The MIS was crucial in this regard.
- 6) Action was done with good timing and a proper sense of restraint. All issues were not escalated pro forma. Issues were pushed at the right time when forces could be rallied to get them through. Also, battles were fought to be won, but not to humiliate opponents. Of

utmost concern were the issues themselves, and the ability to remain politically viable for other issues in the future.

We are all involved in various ways with the state legislature and with planning groups throughout the region. There are many people involved. There's always been a kind of political savy to key issues here. We serve in a quasi-advisory/lobbying position and sometimes in a direct planning role. We get benefits in two ways. First we influence the way services get delivered, and secondly we get financial benefits for CMHC's sometimes as a fallout. There is a real eye to local politics and state politics. We keep close contact to state and federal officials who run offices that provide us with funds. A lot of time is also spent in developing relationships with legislators (Key Staff).

There were a number of problems with inpatient, partial hospitalization and outpatient services because of inadequate third-party reimbursement mechanisms. As a result we got very active in lobbying for better insurance coverage. We had constant contact with the state insurance commissioner's office, local insurance agents, members of the state legislature, local municipal and business leaders, and our state mental health association. We also worked with the state department of mental health who was working with the state welfare office to develop a reimbursement schedule for welfare clients in mental health. Through our efforts we got some legislation introduced. Then we did the technical stuff that was crucial. We provided the legislators with the hard data they needed to support their political stance, and we provided some testimony. Also, we did a very important thing just before the bill was voted on. All the staff took a list of ten clients and called them to tell them what was happening so they would call their legislators to get the bill passed. We had legislators who took their phones off the hook. And it all paid off. They passed the bill (Center Director).

In lobbying, data is crucial. The MIS really pays off here. Your statistics and costs must be an accurate reflection of both your operation and others'. You need to phrase yourself within the big picture. That's why it's so important to get everyone involved in a state council. They can have so much more influence as a group (NIMH Project Officer).

8) Executive succession. The final strategy discussed in this part of the study involved the manner in which the CMHC's here changed

executive leadership in order to improve their adaptive capabilities. Such was clearly the case in two of the CMHC's, whose current directors were the products of such changes. Previous directors had failed to successfully grow with their agencies, and thus were removed by the boards of directors. The directors interviewed here were brought in specifically for their professional management capabilities in an effort to tighten fiscal and programmatic operations and to improve the agencies' external images. In order to highlight the changes in leadership, clear contracts with mutual expectations were negotiated.

The other two center directors were somewhat different in that they were less the product of a conscious agency decision for change. However, both had contemplated retiring from their agencies, and because of this were thinking of what kind of leadership was needed next, given their leadership styles and the developmental stages of their agencies.

As a final point, all of the directors were aware of the need for executives to change with the times or "be changed." Professional flexibility was a crucial quality to maintain, as reflected in the following quotation.

If a director is going to stay he has to have a flexible style. This is very difficult, but he must be able to do it. How long should center directors stay? I guess five to seven years is max. If you don't leave and create change on your own, you need to at least create the symptoms of change by your leadership. It takes a lot of energy and self-examination. I think we need to keep up with the changing times like in business. If you don't change to new products or more effective techniques, you're out (Center Director).

In sum, the research findings here indicated that, as expected, all eight of the above adaptive strategies were used to a greater or lesser

extent by the outstanding CMHC's in this sample. Buffering and lobbying appeared to be the most important, but interesting examples of all were provided by at least one of the centers. The next section of this chapter discusses findings related to the fourth and final research proposition. Here, issues related to organization structure, internal coordination, and stability will be discussed. The chapter will then conclude with a discussion of important developmental issues which emerged from an analysis of the centers' adaptive efforts over time.

Proposition Four: Structures. Successful CMHC's have developed structural mechanisms (e.g., coordinating committees, matrix designs, etc.) to enhance the coordination and stabilization of diverse and changing program types mandated by changing regulations and funding priorities.

As expected, the centers in this study were continually concerned about the internal workings of their organizations. Great care was taken to fine tune them, particularly during the late stages of the federal grants, so that they would be better able to stand the test of self-sufficiency. All had used good organization design principles in the past to strengthen their operations. Also, when changes were needed they were implemented in planned, careful ways with structured lower level involvement to minimize their disruptive effects. As will be seen, some principles of differentiation and integration were used by the centers with emphasis on internal coordination mechanisms. None had developed true matrix organizations, but some of their principles were occasionally used (e.g. cross-functional committees). The following represent some of the more important design principles and structural mechanisms used by the four centers.

1) Quality people with clear roles and delegated authority. The center directors here all knew that to be successful they would need the help of others. Thus, they worked hard to bring to their CMHC's bright, competent professional staff. Clear roles and structures were developed for them to work within, and they were delegated the necessary authority over time to take responsibility and ownership over their pieces of the organization. Thus, the center director became an orchestrator and troubleshooter, and was given more time to do important fundraising, lobbying, and other boundary-spanning activity.

A key thing to do is to hire competent people and then delegate to them. Give them real responsibility. Most center directors rise through the ranks and get to the point where they feel like they're the only ones who can do it. Thus, they end up taking too much on that there's no way they can handle (Center Director).

You've got to get good people and develop good people, especially at higher levels. The director cannot be threatened by people below him who are as bright or brighter than he is. I don't know if you know that, but it's very commonplace. You must give your bright people a chance to develop. I try to keep people on as long a leash as possible (Center Director).

2) A strong management team. To many of those interviewed, the development of a strong management team that could spread the ownership of self-sufficiency throughout the organization was critical to CMHC success. All four center directors had strong allies at the tops of their organizations to engage in group problem-solving and decision-making. The management team shared the responsibility for organizational success or failure, and served as an important coordination mechanism and buffer to lower parts of the organization. Through the middle managers, lower staff were kept informed of environmental trends and were

made to feel a sense of ownership and control over concerns of financial viability. They were informed and included, but not overwhelmed. The center director also served as an important buffer here.

My support comes from the middle managers. They're crucial to me and the organization (Center Director).

Unless the staff feels a sense of ownership and control over the problem, they have neither the motivation nor the control to deal with it. There are several things you can do to increase the staff's ownership and control. We reorganized so that the middle managers would be closer to the staff. We got an MIS in shape with the right data on a timely basis so the staff could see how they were doing. Also, we chose not to filter down a lot of craziness. The middle management hears most of it. I rely on them a lot. We all try to help the staff understand bottom lines and the options we're exploring and our sense of probabilities of outcomes. They know that their best efforts may not be good enough. But the day-to-day craziness that serves no purpose, we keep from them. A lot of it doesn't leave my office until I'm sure that decisions have actually been made (Center Director).

You must have good people and keep up morale during the transition process. They must be informed and included, but not depressed. During the period of uncertainty I took a lot of grief. I think a primary reason was so that staff could vent and stay productive. We had to give people an understanding of honest security. They knew our contingencies and were forewarned, and knew that if they had to go they'd get six months' notice. We had a full year going over plans, over and over. Our middle management met weekly and would go to the staff offices together. A critical factor was that we kept lines of communication open and used a team approach. It was very natural (Center Director).

3) Stabilized, survival-oriented program units. Over time, the center directors here had gradually tightened the structures of their organizations, making them easier to support during the potential lean years of self-sufficiency. Specialized programs were generally organized under broad functional categories that would be easier to staff with middle management and coordinate and hopefully would provide great-

er stability as individual programs were phased in and out. The major, broad functional units were organized taking into consideration such factors as the following: 1) the unit made sense from a service point of view; 2) the unit would provide an important power base for its constituents, or would help strengthen an important, yet marginal program; 3) the unit would provide for greater efficiency (e.g. reduce duplication); 4) the unit could more easily explore and manage a key market area; and 5) staff in the unit could work together and complement each other. Quite often, the functional units and key programs within them were organized using a "profit center" notion (especially the free-standing centers). Each unit was made responsible for securing its resources and managing its budget. Income production goals were set for the unit, and top management support was given to help it reach its goals.

We chose to go with a regional structure because it would be easier to support than one based on twelve discrete services. That gives you too much duplication and it's too expensive. The one we have is cleaner and it allows for greater coordination and continuity of care. Also, local community visibility is increased. We began to look at what kind of structure was needed for survival, three and one-half years before the ends of our grants (Center Director).

Our organization structure has had to be looked at a lot because of our rapid growth and movement into the corporate realm. The old systems just don't work. They're too inequitable and too cumbersome. We're looking at functions, putting them where they need to go, setting up coordinating links, etc. Our programs develop because of their natural linkages to the community and then we need to think later where they best fit in the long run and how they should evolve. For example our _____ program started here (pointing to organization chart) because of its links to the schools. Now it needs to move away from drop-in and become less of a second-class citizen. We shifted it here to increase its stature. We could have put it here, but it would have gotten lost because of its

current second-class nature (Center Director).

We wanted to establish a structure that would support both clinical and consultative services. We needed people within each that were responsible for each important area. These people were then in a position to argue for these services. A power base for each service area was then in place to fight for funds, staff, etc. to keep them going. Without someone responsible for a service area, it's difficult to fight for it to keep it alive. The base expands both in numbers and in terms of expertise and knowledge of the area (Key Staff).

Yes, we use a profit center notion. Each division must have a balanced budget. Programs within them should strive for it, but some will be able to do better than others. For example we recognized that C&E would receive some extra allocated money because the funding for it is just not there now (Center Director).

4) Internal coordination mechanisms. As implied earlier, internal coordination was an important priority of the center directors here. However, no highly sophisticated coordination techniques were used (nor did they appear to be needed). Attempts were made to keep lines of communication open so that teamwork and agency ownership could be maintained at all organizational levels. Regular staff meetings were held and at least one center director organized regular staff retreats for group problem-solving and planning sessions. Written policies and procedures, and goals and objectives were also used to enhance teamwork. Finally, cross-functional committees were used occasionally for planning or policy development purposes when it appeared that such coordination was necessary.

5) Effective use of affiliations. As a final note, the centers here had effectively used affiliations with outside groups to improve their survival capability and enhance internal stability. Overall, affiliations were used sparingly so that needed services could be pro-

vided, but without the confusion and management problems of multiple affiliates. One or two affiliates could be coordinated with closely, but several semi-autonomous agencies struggling to work together with the CMHC could demand too much valuable management time. As mentioned earlier, affiliations were also used in at least two other important ways. One involved affiliation with a holding corporation for property management (and other potential income-generating endeavors), and the other sponsorship of a consulting program to business and industry. Both arrangements allowed the CMHC to take financial risks, while minimizing damage to its core structure if the endeavors failed. The CMHC's could gain substantially in otherwise impossible ways, however, if the efforts succeeded.

In sum, the research findings here indicated that these outstanding CMHC's had developed structural mechanisms to enhance the coordination and stabilization of their internal operations. All were aware of, and had experimented with, basic organization design principles to prepare for the test of self-sufficiency.

This section concludes the discussion of findings related to the four propositions upon which the research study was based. As expected, the general hypotheses have held true for this sample of outstanding organizations, lending support to the model of CMHC adaptation presented in Chapter III. It is hoped that the examples presented here have helped clarify and enrich the model, and have provided some interesting ideas for other center directors in the field. The next and final section of this chapter is intended to provide additional clarifying information. Included is a discussion of developmental issues related to

CMHC adaptation, which should help other center directors improve their selection and use of the adaptation strategies during their own organizations' evolutions.

Developmental issues. Throughout this chapter it has been clear that the center directors in this sample guided their organizations with proper timing, good judgment, and an eye to the future. Thus, it should be no surprise that all carried a developmental perspective with them in their work, and understood that to be successful their organizations needed to mature steadily over time. In basic terms, the early years of development needed to be focused primarily on internal operations, generating staff ownership and understanding of the CMHC model and putting into place a quality operation that could stand the test of self-sufficiency. Ideally, the later years of federal grants would then be focused more externally, firming up community relations which had been developed earlier and securing proper funding for the near and distant future. Of course, overlap in activities were needed throughout the CMHC's life-cycle, with attention paid to environmental scanning and long-range strategizing in early years and continued internal fine-tuning in later ones. However, the center directors were all aware of the importance of spending their early, more financially secure years to develop a quality product, which would then be easier to "sell" to others in the future (as exemplified in the following quotation).

He hustled on the outside, but not before he had a product to sell. The timing of this was crucial. First, he professionalized the staff, he worked on interorganizational relationships in the community, he got the board structured and involved. In short, he developed a solid product. Then he

tried to change the community image around with the solid product he could sell. He spent a lot of time out there talking to folks. Then, and only then, did he really try to hustle on the outside for money. Everything was now in order to sell the center and its services. He had the product and the community backing. You don't sell something you don't have and you don't sell your ideas. You've got to have it, and have it documented. If it's worth doing, it's worth documenting. If it's worth documenting, it's worth charging for. But you can't charge unless you have a product and are proud of it. The MIS becomes not a control mechanism but something to be proud of and to use to sell yourself (NIMH Project Officer).

One center director in the sample had carefully thought through the issue of CMHC development, and had developed a four-stage model which he felt was of potential use to others in the field, particularly those in free-standing centers. Again, he stressed that there was overlap in stages, but that their basic linear progression served as a useful guiding framework for center directors' efforts over time. The model is summarized as follows.

1) Stage one--"organizational establishment." This is the easiest stage, referred to as a "honeymoon" period. The CMHC is new in the community and everyone involved has high hopes and expectations. Staff and board members may be unsure of their role and that of the agency, but spirits are high and everyone feels confident about the future. The center director's role here is to build on the positive energy to begin laying important foundations in the community and within the agency. Care must be taken to avoid overselling.

2) Stage two--"internal reorganization and crisis." During this stage, most centers have a difficult time. Those with overly high and unrealistic expectations from the first stage are disappointed. Any overselling which the center director has done comes back to haunt him.

The staff are settling in to work with each other now that the glitter has worn off, and the board is beginning to feel stress from the community's higher demands and expectations. This is an extremely challenging time for most center directors as they must lower expectations, while continuing to build agency strength in beginning preparation for termination of their federal grants. Many center directors cannot stand the pressure and must move on, yielding to the strategy of executive succession to pull their agencies through the crisis. Regardless of whether the center director stays, turnover in other staff and board members is an issue to be addressed. In order to successfully move through this stage, strong professionals must be courted to the agency, and extensive management energy must be focused on building teamwork and quality service. Unfortunately, because of poor management, too many centers waste precious years of federal money struggling within this stage of development.

3) Stage three--"relative stability." After moving through the potential crisis period of years three and four into the later years of federal support, extensive work must be focused internally to prepare the agency for self-sufficiency. Flexible federal funding must be used while it is available to firm up policies and procedures, develop an MIS, explore issues of cost effectiveness and income production, and develop financial buffering mechanisms. High quality and committed staff must be recruited, and those with managerial skill and financial expertise must be found or developed. At this point the center director must look to the internal needs of his staff and begin to develop ways of satisfying them over time. Stability, commitment, and teamwork must be

worked on carefully. The center director should also keep an eye out to the environment and begin laying the groundwork for extensive marketing, advertising, and lobbying work which will follow. (Of course, the center director should always focus some attention on the environment to anticipate crises, plan for the future, and influence needed changes in funding and regulations.)

4) Stage four--"survival period." During the seventh and eighth years and into the future, the center director must maintain a quality operation and work extensively in the marketplace to secure alternative funds. At this point, the agency must have internal stability with quality, committed staff who are reimbursable and cost-effective. The center must have a clear sense of how it works, the resources it needs to do its job, and its ability to generate income from existing resources. It must have a solid, resourceful board and a solid executive who can provide steady, careful leadership during what could be very uncertain times. External work (which should be extensive at this time) must be buffered from, yet synchronized with internal operations through contingency planning and management team meetings. Agency staff should know where they are, where they are headed, what is needed to get there, and what they can realistically expect as outcomes. Diversification of resources is crucial at this time, although the groundwork must have been laid earlier.

In sum, the preceding model shows clearly the kinds of developmental issues that are important to CMHC self-sufficiency. While the model may not be the best or most accurate one available, it does provide some interesting insights into the use of adaptation strategies. For exam-

ple, it points out that the advertising and marketing strategies work best when preceded by the development of sound internal operations and adaptive structures. Too many centers probably err by using them too soon before they have a quality product to sell, or too late because of their need for regular crisis management. Also, the model points out the need for careful long-range planning to avoid crisis and chaos. In the early years of federal grants, such planning should be focused on laying the groundwork for external relations and on putting in place a quality internal operation (e.g. professional staff, policies and procedures, MIS). In the mid to late years of the granting cycle, efforts should be focused on fine-tuning efficiency and structure, and securing a diversified funding base. Throughout the eight years, but particularly in later ones, energy should be placed in environmental scanning, anticipatory crisis management, and lobbying for needed governmental changes.

Summary. This chapter has presented the findings of a research study of four outstanding CMHC's in New England which was conducted to clarify and enrich the model of environmental management presented in Chapter III, and provide examples of successful survival strategies to other center directors in the field. As expected, the findings supported the basic model and its usefulness, and pointed out several interesting issues related to CMHC self-sufficiency. It was shown that self-sufficiency was extremely difficult for centers regardless of their abilities, because of the many limitations imposed upon them by their funding environments. However, through a combination of tenacity and the use of

sound management practices, the center directors here were able to rise above most limitations they faced. When limiting points were reached, they approached them directly, attempting to minimize their effects on the CMHC ideology and their long-range goals. Wherever possible they tried to look at the positive sides of such problems and used them as opportunities for lobbying and making needed internal changes. As stated previously, the adaptation model presented here was seen as valuable to the respondents, and several examples of its usefulness were reported. Of utmost importance were issues related to environmental scanning, long-range contingency planning, buffering, and lobbying. Developmentally it appeared that the externally-oriented strategies were most effective after quality internal operations and adaptive structures were established. It was hypothesized that most center directors have problems because they either use them too early or too late in their organizations' development. The following chapter concludes this report with a discussion of the implications of these findings for center directors and others associated with community mental health. Areas for future research on CMHC adaptation and self-sufficiency are also recommended.

CHAPTER VI

COMMUNITY MENTAL HEALTH CENTERS AND THE FUTURE: SUGGESTIONS FOR IMPROVING THEIR ADAPTIVE CAPABILITIES

The Community Mental Health Centers Program was established in the early 1960's as a major innovation in mental health care. The program was designed to improve treatment by offering comprehensive and preventative services in the local community as an alternative and deterrent to institutional care. The program has developed and expanded over the years, but unfortunately has been jeopardized recently by problems in the CMHC seed-funding concept. For a variety of reasons many centers graduating from federal funds today have difficulty being able to both survive and protect the CMHC ideology.

This project has attempted to explore the problems of CMHC self-sufficiency and provide assistance to center directors in the field. As a result of this study, a number of important points have been clarified. First of all, it is obvious that CMHC's are complex organizations, existing within an even more complex and problematic environment. Survival in lines with the CMHC ideology is difficult to say the least. Because of this, the role of center director is extremely challenging and frustrating. Center directors are in a particularly bad position because they are at the nexus of several, often conflicting internal and external forces. Even with conceptual strength, technological skills, and charismatic personal qualities, they have a difficult time successfully

managing their organizations. Clearly, major efforts are needed by federal and state officials to improve the plight of CMHC's if they are to survive as a national program.

In spite of these difficulties, this study has also shown that much can be done by centers themselves to improve their positions. The CMHC's in this sample experienced difficulties, but they were surviving and by all indications would continue to survive, keeping intact most if not all aspects of the CMHC ideology. Clearly, at least some CMHC's will forge ahead during these difficult times and establish an important niche for the CMHC model. The successes of today will be able to serve as important models to build on in better environmental times.

Perhaps most importantly, this study has provided valuable ideas for helping center directors make their organizations more successful. The conceptual framework developed earlier has been initially validated as a useful tool for those in the field, and much has been learned about its potential application throughout the life-cycle of CMHC's. Several examples of successful survival strategies within this orientation were provided for center directors to use in their own situations. This study has supported the notion that successful management is a skill as well as an art. There are many qualities of successful organization that are directly related to managerial skill areas which can be taught and developed. This report has delineated several such skill areas for center directors.

Many of the suggestions developed here are not new, as they have been proposed in one fashion or another by others associated with the federal program. In many ways this report simply supports their obser-

vations and recommendations. More importantly, though, it extends their work by placing their ideas within a sound conceptual framework and clarifying them with specific examples from the field. In addition the report suggests needed developments in social policy and organization theory. In the pages which follow I would like to comment briefly on at least some of these areas.

Assistance for center directors. In its most basic form, the work presented here suggests that center directors look outwards to their environments to improve their organizations' survival capabilities. Mechanisms should be developed to scan the environment for opportunities and threats, and understand the complex interdependencies which affect resource acquisition and organizational performance. The resulting data should be interpreted into the centers' decision-making and decision-implementing mechanisms (along with data on internal matters) to be used for altering structures and processes as needed. Long-range contingency plans based on CMHC needs and environmental realities should be developed to guide the organization in as proactive a way as possible. Short-range opportunities and crises should be managed from within the plans to maintain this forward-moving position. Given their specific environments and personal styles, center directors have a variety of strategic options available to incorporate into their plans and hopefully improve their centers' adaptive positions. Some of the most important ones identified here included the use of marketing and advertising techniques, the development of financial and structural buffers, and the use of boards of directors and coalitions for governmental lobbying. To

be truly effective, center directors should gear their specific strategies to the developmental stages and needs of their organizations. Actions should be taken which will help the CMHC stabilize and mature, and increase its adaptive flexibility over time to prepare for the eventual loss of federal funds. Center directors themselves should also increase their own flexibility if they are to survive in the long run as successful chief executives. They need to develop ways to reflect upon and learn about their adaptive styles and behaviors. They should also learn to recognize when it is best for them to move on to other positions for the good of themselves and their organizations.

In order to be effective, center directors clearly need to incorporate at least some of the management principles from this report into their current modes of operation. In order to bolster the federal program, NIMH officials and others in positions of influence should take steps to insure that those at the community level have the knowledge, skills, and motivation necessary to carry them out. Some of the areas discussed are related to intangible, personal qualities of leadership that are generally possessed by center directors or not. Included here are such qualities as tenacity, patience, carefulness, flexibility, a commitment to excellence within the CMHC ideology, and a desire to learn and grow as a professional manager. Improvements in these areas can generally be influenced only through hiring decisions. Care should be taken to hire center directors with these qualities, and those without them probably should not be in such positions. The job of center director is a difficult and stressful one. Those who are not suited to the role will be of much greater service to themselves and their communities

if they select other work.

In addition to these intangible leadership qualities center directors should also possess knowledge and skills in several key management areas. Included are at least the following major categories:

1) Environmental scanning. Center directors should have extensive knowledge of their specific organizational environment, including its a) demands on the CMHC, b) key actors and their interdependencies, and c) historical evolution and future trends. Specific skills should be developed and mechanisms learned for continually keeping up with changing conditions and screening out those developments that are important.

2) Long-range planning. Center directors should know the techniques of proper long-range planning, including the use of contingency plans, financial plans, and MIS data. Somewhat related, they should understand the techniques of management team-building and group problem-solving as they can be used to improve the planning process.

3) Marketing and advertising. Center directors should be able to effectively read the needs of their marketplace (both funders and consumers) and make their services more attractive within them. Attention should be given to both traditionally mental health and non-mental health markets.

4) Buffering. Particular skills should be possessed in areas related to buffering the CMHC. Center directors should be aware of potential markets for their agencies and how they can diversify their resources within them. Property and other potential equity-building or profit-making markets should be explored from a practical and ethical point-of-view. Center directors should also have a practical knowledge

of financial management and accounting, and the rules of private non-profit corporations.

5) Lobbying. Center directors should have knowledge and skills in lobbying and other political-change strategies. They should be particularly familiar with how to use coalitions and their boards of directors in the process.

6) Organization design. Finally, center directors should be familiar with basic organization design principles as they can be used to structure and fine-tune their organizations in preparation for self-sufficiency. They should be familiar also with a variety of internal management skills such as team-building, leadership, motivation, and communication.

Because of their substantive nature, the above management areas can easily be taught and learned from experience. All are potentially available in advanced degree programs in human service administration, organizational and community psychology, and business management. All could be offered in specific training courses or technical assistance consultations offered through NIMH. Specific packages could be developed with readings, didactic presentations, and experiential exercises building on the background and previous training of those involved. Such knowledge could then be built upon with occasional private consultations by NIMH project officers or outside consultants. Through consultations, center directors could receive feedback and guidance to fine-tune their skills, increase their objectivity, and learn about their stylistic strengths and weaknesses as managers. Finally, center directors could increase their systemic awareness and political sensi-

tivity by gaining experiences in a variety of positions within the federal and state mental health system. Such experience would help them gain much needed maturity and objectivity in their roles as managers.

Social policy implications. This report has several implications for social policy affecting the CMHC federal program. In addition to the needs for improved technical assistance as discussed above, the report supports the already obvious needs for changes in funding and regulation. The CMHC environment is extremely restrictive, and limits the use of most adaptive strategies commonly found in the private sector. For example, in businesses, diversification is a principal strategy for buffering the organization against environmental instability. By their very nature, however, CMHC's have very few funding markets available to support their wide range of services. Programs are usually supported at best by one or two different sources of funds. Thus, resource dependence is high, and major pieces of the organization are thrown into upheaval when external problems arise. Clearly, efforts are needed to develop additional and more flexible funding alternatives for center services. Creativity in diversification efforts (such as those witnessed in this study) should be encouraged at all levels. In the meantime, before new funding options are fully developed, the federal government should strongly consider continued floor funding for CMHC's. Such an arrangement would contribute greatly to the funding stability and flexibility needs of centers in the field.

With respect to funding, the report also suggests refinement in the "contracting for services" model which has increased in popularity in

recent years (in contrast to earlier models which offered only the placement of staff positions). The concept appears to be a good one in that it allows centers at least some flexibility to use allocated resources for their various needs. However, in most cases, contracts are renegotiated (and often altered significantly) on an annual basis. Thus, it can be difficult for CMHC's to develop important long-range plans and bring stability to their staff and clients. The problem is compounded in that many grants and contracts specify that the funds must be used to establish a distinct and separate program. Thus, when funds are cut or lost, an entire organizational entity is jeopardized, compounding the problem of instability.

Based on the findings here, I would recommend that funding sources themselves engage in long-range planning, and distribute funds with longer contractual timelines. In addition, agencies should be allowed, if not encouraged, to combine programs and funds into broader service areas with diversified funds and more stable staff. Desired program results could still be ensured through more sophisticated monitoring. In addition, more stable, survivable program units could be established in the CMHC to more effectively deliver services in the community.

As a brief, final point here, the report also suggests that modifications in policies concerning lobbying be explored. This study revealed that lobbying is a potentially extremely valuable strategy for CMHC's. Unfortunately, current federal regulations place major restrictions on the ways in which activities referred to here loosely as "lobbying" can be done. Even though there are many justifiable reasons for these restrictions, CMHC's need to find legitimate and acceptable means

to influence decisions affecting funding and regulatory policy. Although many mechanisms are already available in different areas, more work is needed to open up appropriate channels of communication.

Implications for organizational theorists. While the major focus of this report has been directed to CMHC personnel, the findings here also are useful to theoreticians concerned with organizational adaptation to the environment. An important point is that the study provides support for the literature reviewed earlier. First of all, it was clear that this literature provided a very useful framework for the analysis of CMHC organizations. Furthermore, the participants themselves found the concepts useful and generalizable to their real-life situations.

Even though the theory does appear useful and generalizable, work with CMHC's presents some interesting differences from other organizations that should be explored further in the future. For example, CMHC's exist in an environment that is more highly restricted and limited in marketing opportunities than most business organizations. Thus, while diversification is an important survival strategy in CMHC's, it is a much more complicated issue than is depicted in the literature. For example, it appears from this study that it might be necessary for diversification to be preceded by a strategy of legitimization in such settings. Markets must be opened up before they can be entered. Also, marketing and advertising take on much more complex dimensions in CMHC's because of the third-party involvement of funding sources and the public in the economic, supply-and-demand relationship. Factors affecting resource acquisition are much more difficult to understand and influence

in CMHC's than they are in most businesses. The study here broke new ground by beginning to examine such complexities. However, more work is clearly needed to explore the subtle aspects of survival strategies such as diversification, marketing and advertising in more restrictive settings.

As a final point, the study was also valuable in beginning to explore the application of adaptation strategies within a developmental perspective. The study pointed out the importance of such a perspective, but did not go into much depth on the matter. Future efforts should look closer at the sequential use of strategies and the fine-points of their implementation at different stages of organizational development.

Suggestions for future research. Before concluding, it should be noted that this report represents only another beginning step in work on the problems of CMHC self-sufficiency and the field of organizational adaptation to the environment. More research is needed into the numerous issues raised here. With respect to CMHC's, this report indicates further research is needed in at least two major directions.

First of all, continued research such as that being done by NIMH now (e.g. Wasserman et al., 1980) is needed to explore the limits of self-sufficiency as imposed by current funding structures. Environmental limits are a major problem, even for outstanding CMHC's, and proper documentation of their severity is needed to argue for fundamental changes in funding and regulatory systems. Without such changes, the CMHC ideology and in particular the notion of comprehensive services

will at least be compromised by centers when their federal funds are exhausted.

Secondly, further research is needed to explore the usefulness and applicability of the conceptual approach and adaptive strategies presented here. The research in this report was limited by its broad approach and restrictive sample. Many important issues were addressed, but only in a general way, and the sample was small and biased towards the free-standing CMHC just approaching graduation. More research is needed to validate the general approach advocated here, and to explore its applicability in different CMHC's at different points in their development. Comparative studies would be very helpful in this regard, including those looking at the differences between centers from different organizational categories (e.g. rural vs. urban, free-standing vs. hospital-based, etc.), centers from different states or regions with different funding systems, and centers whose quality of operations differ along specific variables central to the CMHC ideology (i.e., successful vs. unsuccessful centers). Also, it would be interesting to explore the use of this general approach in tackling specific limiting problems such as the maintenance of consultation and education or outreach-oriented services. Finally, work should be done to explore use of the individual strategies contained within this general management approach. Most importantly, work should be done to look at characteristics of effective long-range contingency planning, marketing, resource diversification (including use of equity-developing or profit-making markets), and lobbying.

With respect to organizational theory, more research is needed (as

discussed earlier) to explore the fine points of organizational adaptation in settings such as CMHC's. Much can be learned about the usefulness of different strategies by exploring their application in highly restricted and regulated economies. In addition more research is needed to understand the application of adaptation strategies over time, within a developmental perspective. CMHC's are good organizations to study in this regard because of their more clearly defined life-cycle and similarity of focus and design.

Finally, one last point should be made. While organization design was not a major focus of this research, the interviews made it clear that adaptation and organizational structure are intimately linked. These linkages clearly need further exploration, particularly in CMHC's where their treatment to date has been only superficial. It will be interesting to learn how these organizations which are so open to external influence can best be structurally stabilized.

In conclusion, this report has examined the survival problems of community mental health centers, and recommended that their executive directors look to the principles of organizational adaptation for help. The work here is significant in that it has developed a conceptual framework to help orient center directors' survival efforts, and has provided examples of specific survival strategies used by outstanding executives in the field. It is hoped that other center directors will incorporate these principles into their work, and that NIMH officials will support training programs and research in their usefulness and application. Whether or not this specific approach proves to be useful in the long run, though, we must all work to improve the adaptive capa-

bilities of CMHC's. With continued effort and creative leadership, the goals of the early 1960's program can still be realized as we move into the 1980's.

Summary. This chapter has concluded an exploration of CMHC adaptation and the problems of self-sufficiency. Important points from previous chapters were summarized and implications of the research findings were discussed with respect to center directors, NIMH personnel, and organizational theorists. Suggestions were made for training and other technical assistance interventions, policy development and future research on CMHC adaptation to the environment.

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APPENDIX A

INTERVIEW GUIDE

Name of Informant: _____

Organizational Role: _____

Organization: _____

Date: _____

I. Explain study and the interview.

- A. Overview
- B. Voluntary participation
- C. Audio-tapes and notes
- D. Confidentiality
- E. Feedback
- F. Clarify amount of time together

II. Strengths and weaknesses of CMHC.

- A. Why was this center chosen as one of the most successful in New England? What are its distinguishing characteristics?
- B. What are its strengths and weaknesses in achieving self-sufficiency while maintaining the basics of the CMHC ideology?

III. Explore CMHC's evolution and survival activity.

- A. How has the center evolved year by year? Major goals? Major accomplishments? Major survival issues?
- B. How has the center acted year by year to improve its survival stance in the community and prepare for self-sufficiency while maintaining the CMHC philosophy?
- C. How have funds been generated? What markets entered and left?
- D. What constraints on survival and self-sufficiency have been faced? How have they been tackled? Limitations to such tactics?
- E. What does the future predict to bring? Planning? Survival and entrepreneurial strategies?

Probe for: _____

Probe for:

1. Proactivity vs. reactivity. How do centers act on their environment to make it more controllable and munificent? Proactivity in an ever-changing and highly complex environment.

Limits of proactivity.

2. Long-range planning. Contingency plans? Short-term actions based on long-range goals? MBO? Who involved? Role of MIS. Environmental scanning.
3. Business strategies. (Are they used? How? Priority?)
 - a. Marketing (both consumer and funding source).
 - b. Advertising (both consumer and funding source)/
 - c. Buffering against environmental instability.
 - 1) Financial reserves (NIMH regulations and surplus, non-profit rules).
 - 2) Diversifying resource dependence.
 - 3) Parent organization.
 - 4) Long-term contracts with funding sources.
 - d. Mergers (horizontal, vertical, diversification).
 - e. Interorganizational coordination.
 - 1) Coordination agreements.
 - 2) Long-term contracts.
 - 3) Coalitions (NCCMHC, state, and local).
 - f. Use of board of directors (administrative resources, linking).
 - g. Lobbying for governmental changes and intervention.
 - 1) Federal-state interface.
 - 2) Use of upper levels to affect lower levels.
 - 3) Conflicting demands.
 - h. Executive succession.
4. Structure and stability. Is stability an issue? What structural mechanisms have been developed to enhance stability and internal coordination?

IV. Summary

- A. Summarize most important principles of survival management. Have we left out anything important?
- B. Feedback.
- C. Next steps.



